

FAR EASTERN ECONOMIC REVIEW

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ECONOMIC COOPERATION BETWEEN THE UNITED STATES AND WESTERN EUROPE

The Economic Cooperation Bill of 1948, submitted to the U.S. Congress by President Truman in December 1947, is the legislative expression of the so-called *Marshall Plan*, now officially referred to as the *European Recovery Program*. The origin of the program dates back to Secretary Marshall's speech at Harvard University on June 5, 1947, in which he stated that if European countries wished to prepare and to cooperate in a program of reconstruction, the United States would stand ready to support such a program "so far as it may be practical for us to do so." As a result of this suggestion, a conference of sixteen Western European countries convened in Paris in July 1947 and set up a *Committee for European Economic Cooperation*.

In its report, presented to the United States on September 22, the Committee outlined a production program in the participating countries and in Western Germany designed to raise the over-all agricultural and industrial output of those areas to above prewar levels by 1951 and to achieve by that date a reasonable equilibrium in their over-all balances of payments. To help achieve these objectives, the participants pledged themselves to mutual help in the joint development of resources and trade and to the creation and maintenance of internal financial stability. The report emphasized, however, that the achievement of the production goals depended predominantly upon a sustained large flow of imports from the rest of the world, and especially from the United States. It was estimated that over the four-year period 1948-51, after allowance for receipts from exports of goods and services, the participants would have a cumulated balance of payments deficit with the United States of 16.5 billion dollars and with the Western Hemisphere as a whole of 22.4 billion.

Three American committees, appointed on June 22 by President Truman, studied the implications of the Mar-

shall Plan for the United States. In their reports, all three committees agreed that a European Recovery programme was desirable and could be undertaken within the limits of the U.S. physical and financial reserves. To a large extent the Economic Cooperation Bill is based upon the conclusions of these committees.

Amounts of Loans and Grants

The legislation proposed by the U.S. Administration contains an authorization to appropriate, for the fifteen months ending June 30, 1949, a sum of 6.8 billion dollars to be used for grants and loans to the participating countries and Western Germany for purchases of goods and services in the United States or in any other country. The Administration has estimated that the full program, over the entire period up to June 30, 1952, may necessitate appropriations of about 17 billion dollars. The draft bill also calls for the establishment of a new Government agency, the *Economic Cooperation Administration*, to administer the program, subject to supervision and direction by the State Department so far as matters of foreign policy are concerned.

Enactment of the proposed legislation will constitute a continuation, on a somewhat reduced scale and to a more restricted list of recipients, of the broad postwar program of United States Government foreign aid designed to alleviate the economic impact abroad of the war and its aftermath and to facilitate and accelerate progress toward a normally functioning world economy. This program has so far taken the form of contributions to U.N.R.R.A.; participation in the International Fund and Bank; extension of lend-lease settlement and "pipeline" credits; surplus property credits; expansion in the scale of operations of the Export-Import Bank; allocation of funds for "prevention of disease and unrest" in occupied areas; the Treasury credit to the United Kingdom; and more recently, post-U.N.R.R.A.

emergency relief; Greek-Turkish aid; and interim aid to France, Italy, and Austria.

Reasons for Western European Continued Demands

The need for further large-scale American aid to Western Europe is at bottom a reflection of the continuing serious lack of balance between the aggregate resources available to that area and the urgent demands that have to be filled. This lack of balance, the magnitude of which was earlier underestimated, is the result, among other things, of physical destruction and devastation; disruption of normal trade and transport; internal financial disequilibrium; the prostration of Germany; and loss of income from foreign investments and merchant shipping. Crop failures and other natural disasters in Western Europe in 1946 and 1947, and the sharp rise in prices, since the summer of 1946, of goods which the countries of Western Europe must import have aggravated the problem. The bulk of the imports needed to fill the gap must continue to be drawn from the United States and the rest of the Western Hemisphere, especially in view of the disruption of production in Eastern Europe and Southeast Asia, from which a large supply of food and raw materials was normally forthcoming. But the available gold and dollar resources of the participating countries, including the unutilized portion of the loans and grants which they have already received from the United States Government, are insufficient to enable them to maintain the flow of imports needed over the next four years to unhold consumption and to carry out the production program they have outlined in the Paris Report.

The European Recovery Program proposes, in the course of the period April 1, 1948 to June 30, 1952, to reduce the balance of payments deficit of the participating countries with the Western Hemisphere from an annual rate of 7 billion dollars to approximately 3.5 bil-

lion (at present prices), and to convert their present annual deficit of 800 million dollars with the rest of the world into a surplus of 400 million. After 1952 the deficit with the Western Hemisphere would tend to be further reduced to a point where the participating countries should be able to get along without further special assistance from the United States, particularly if their surplus with countries outside the Western Hemisphere were for the most part convertible into dollars and if more normal trade with Eastern Europe could be resumed.

The reduction in the over-all deficit is to be accomplished by a substantial increase in the total output of the participating countries. The volume of their imports from all sources is to be roughly maintained at its present level of about 16 billion dollars per year, but there is to be a gradual rise in their aggregate exports during the period from an annual rate of 8 billion to 12 billion. It is anticipated that the net import requirements of these countries that are not met by United States grants and loans under the European Recovery Program will be financed by other countries in the Western Hemisphere, and from credits of the International Bank, unutilized balances of previous credits of the Export-Import Bank, and private foreign investment.

Great Wealth and Strength of Europe

Although the order of magnitude of the aid involved is without precedent in international transactions in times of peace, it should be relatively small in comparison with the increase in output which it is expected it will make possible in the participating countries. Even in the first year of the program, the American contribution is likely to remain below 5 per cent of the combined national incomes of these countries. In subsequent years, the gradual rise of output, together with the decline in the proposed amount of aid, will result in an even smaller percentage relationship. Essentially, this means that the program is a truly European program, in the sense that the main contribution to its success will have to be made by the participating countries themselves.

An important aspect of the program relates to the form in which the aid is to be made available, i.e., whether as loans or grants. The draft legislation provides that the decision in this respect is to be made by the Economic Cooperation Administrator, in consultation with the National Advisory Council, on the basis of the capacity of the individual countries to repay. If there appears to be little likelihood of capacity to repay in an individual case, the aid will be given in the form of grants. In order to encourage private investors to participate in European recovery, the draft legislation provides that the Administrator may guarantee, for a period not exceeding 14 years, the convertibility

HONGKONG GOVERNMENT IMPORTS AND PROMOTION OF INDUSTRY

The functions of the Hongkong Government Department of Supplies, Trade & Industry continue to be of an emergency nature and will remain so until such time as normal conditions in international commerce will have returned. The establishment of S. T. & I. in 1945 was necessitated by the disrupted economy of Hongkong which was a consequence of war and enemy occupation, and the operation of the Department was then only conceived to last for the period of economic re-adjustment.

Although it is now 2½ years after the conclusion of war in the Pacific a considerable number of government controls remain with us which have arisen from world shortages and the consequent allocations of a variety of commodities, by international agencies, with whom Hongkong has been cooperating and will continue to cooperate until world controls can be lifted. S. T. & I. is the local agency which is entrusted with the negotiations required with the various international controls (like the Tin Committee of London, or the Food Organisation in Washington) and national governments.

Exercise of Controls

During the past 2½ years of operation S. T. & I. has been called upon to exercise a large number of local controls which were conditioned by the international supply position of essential consumer goods, and raw materials required by the local industry, but these controls were successively reduced as imports kept arriving here with regularity until, since about middle of last year, the local stocking of practically all consumer goods was so ample that virtually free trade was restored, and only the internationally required controls had to be continued.

Apart from this activity of a varying degree of controls, S. T. & I. has been rendering the community of the Colony many very important services, viz.

(1) Retail price control of all essential and a large number of other consumer goods. It was this measure which, complementary to various import and export controls, achieved most beneficial results during the period of scarcity.

into dollars of foreign currency received by United States citizens or corporations from investments made abroad in furtherance of the purposes of the program. The guarantees would be limited in each individual case to the amount of the investment, and the aggregate guarantees would not exceed 5 per cent of all funds appropriated under the European Recovery Program.

Impact on the U.S. Economy

There has been much discussion of the probable impact of the aid program on the United States balance of payments and on domestic prices. The U.S. overall balance of payments surplus on current account, which amounted to 8.1 billion dollars in 1946 and to more than 11 billion in 1947, is likely to decline rather than rise in 1948. If Congress appropriates the full 6.8 billion dollars requested for the period April 1, 1948 to June 30, 1949, and if account is taken of other disposable dollar resources (including gold) held by foreign countries as a whole, the U.S. aggregate surplus on current account in the calendar year 1948 is not likely to exceed 10 billion dollars. The surplus should decline thereafter in keeping with the gradual expansion in the output and exports of European countries, participating and non-participating alike.

Given the anticipated decline in the American balance of payments surplus over the next four years, as well as the probable rise in total domestic output of goods and services, the over-all inflationary impact of the aid program will tend to be a diminishing one over that period.

Since, however, demand is likely to be centered heavily on goods currently in short supply, such as grains, coal, fertilizer, iron and steel, the program may, in the absence of special measures, have an inflationary impact on the U.S. economy, out of proportion to the dollar values involved. The draft legislation proposes to mitigate at least part of this impact by authorizing the Economic Cooperation Administrator to make purchases from any source in the world or to advance funds to any participating country for such purchases. It is proposed that, in the first fifteen months of the program, 35 per cent of all procurements be effected outside the United States, and that, for the entire four year period, "offshore" procurement amount to about 45 per cent of the total aid. The dollars thus expended outside the United States are likely, it is true, to be resented in the U.S. by the recipients within a short time, but the impact of these expenditures may differ somewhat from that which would have been exerted had the dollars been spent in the U.S. in the first instance. For, since the countries in which the bulk of the "offshore" purchases are likely to be made, i.e., Canada and Latin American countries, are for the most part self-sufficient in foodstuffs, their purchases in the U.S. may tend to involve goods which are less scarce, although in the case of Latin America considerable purchases of scarce machinery will no doubt be made with the additional dollars. "Offshore" purchases, at any rate, will have the beneficial effect of relieving the dollar shortage of some of the countries in which such purchases are made.

(2) Government or government-sponsored purchases of commodities abroad. Besides the supply of internationally regulated consumer goods and industrial raw materials S. T. & I was actively exploring, and with conspicuous success, many sources abroad and importing, or causing the importation of, a large number of urgently needed commodities.

(3) Supply of many raw materials for local industries without which very little rehabilitation here would have been possible. This particular service has created very much and abiding good will among the population here.

(4) Promotion of commercial and industrial activity. The return of normal trading conditions was anxiously awaited by all business men but the process was a very slow one which required a considerable effort at speeding up the blocked and paralysed flow of production and interchange of goods. The services of S. T. & I.—notably the ones in connection with the reopening of, at first official and later private, trading with Japan—assumed, in this connection, great importance for the Colony.

The Present Position

As the name of the Department implies the activities of S. T. & I. are concerned with "Supplies", with "Trade" and with "Industry."

(1) SUPPLIES: The Department imports and distributes, through appointed agents in the Colony, the following commodities which are in short supply and under international allocation:—Butter (fresh). Wheat flour; Rice; Sugar; Meat (frozen); Cotton yarn; Coal & Coke. The Price Control Section of S. T. & I. fixes maximum retail prices which are gazetted and offenders, when brought before the Courts, are fined.

S. T. & I. is currently purchasing the following:—fresh butter (from Australia); coal (from India, the Union of South Africa and French Indochina); cotton yarn (from Japan, China and Italy). Other official purchases by S. T. & I. are:—flour and meat from Australia; sugar from the Fiji Islands and Mauritius; rice from Siam, Burma and Egypt.

The Department controls the export of the following commodities (called "Prohibited Exports" which can only be shipped out of the Colony under licence issued by S. T. & I.):—

Butter; Flour; Rice; Sugar; Bottles—all kinds, whole or broken, empty or filled; Cotton yarn of all kinds; Tinplates; Baths, all kinds; water closets—all kinds; Galvanised iron pipes; unmanufactured steel and semi-manufactured steel products; Tin slabs and Ingot; Cotton Threads of all description; Peanut Cakes, in solid or powdered form; Basins, toilet and all bathroom accessories; Peanut Oil; Sweetened Condensed Milk; Cement; Preserved Ginger (in casks); Toilet and Medicinal Soap; Gunny Bags; Lambskins (Karakuls); Rabbit Skins and Margarine.

DISPOSAL OF GOVERNMENT SUPPLIES: S. T. & I. is also charged with the disposal of civilian supplies of Hongkong Government which business may still require several more months as the total amount of these supplies, an inheritance of the Military Government period which ended April 30, 1946, has been huge. Large quantities of foodstuffs, textiles and miscellaneous goods have been disposed of during last year but there still remain a quantity of textiles and canned goods.

(2) TRADE: The three objectives of S. T. & I. as regards the trade of the Colony are: Securing of adequate supplies for the population and local factories; Controlling of retail prices of all consumer goods still in short supply and enforcing of effective export controls over such goods; and Promoting of business with ex-enemy areas and such countries where normal conditions have not yet been re-established.

(3) INDUSTRY: The main concern of S. T. & I. Industry section remains the adequate supply of industrial raw materials such as cotton yarn to the local textile mills, white sugar to the ginger factories, tinsplate to the food canning industry, steel and other constructional materials for the building or rehabilitation of houses, factories, godowns etc.

It has become now more apparent that government advice and assistance to both the already established and the many new industrialists in Hongkong will be of increasing importance. While at present there is as yet no government department dealing with industrial affairs the acting Director of S. T. & I. has assumed, in addition to his many duties, the function of advising in the promotion of industries in the Colony.

The many problems encountered by industrialists here when planning for the establishment of factories require the services of an authority who alone could supply information as to possible availabilities of raw materials abroad, foreign exchange facilities, marketability of particular products, legislation protecting labour and all Ordinances relative to the business of factories, Crown land acquisition and private sales of land, construction costs and other matters connected with the building of a factory.

The Future of S. T. & I.

As conditions generally are returning to normalcy, and private trade, although reduced in its scope, comes again into its own the world over the present operations of S. T. & I. will be curtailed as far as temporary and emergency controls are concerned. Whatever remains, eventually, of post-war control measures would require to be organised by a permanent government department here the nucleus of which exists already in S. T. & I. Those activities of S. T. & I. which will have to be continued and very considerably expanded in future may be organised as a new, or co-ordinated with another, Government department while S. T. & I. would exercise those temporary control measures which are determined by the various international allocations.

The promotion of Hongkong's commerce and industry will only be possible if an adequately staffed and fiscally well provided department is to be established which may, in the beginning, build on the foundations laid by S. T. & I. but would have soon to increase its field of action as the expansion of industrial production and the proposals for the erection of many more factories and new branches of industry require official guidance and co-ordination.

COMMERCIAL AND FINANCIAL POSITION OF HONGKONG AND CHINA

At the 94th Ordinary General Meeting of Stockholders of the Chartered Bank of India, Australia & China, which is being held today in London, Mr. V. A. Grantham, the Chairman, is reviewing general conditions in India and the Far East. Following is Mr. Grantham's Statement as far as conditions in Hongkong and China are concerned:—

Conditions in Hongkong

The impression that HONGKONG'S position improves in inverse ratio to the deterioration of the position in China would appear to gain credence from a glance at the trade returns of the Colony for 1947, but is nevertheless false, for it cannot be too emphatically stated that prosperity in Hongkong on any other basis than that of a prosperous China can only be a dim reflection of what might be, and is likely to prove ephemeral.

Imports into Hongkong in 1947 totalled \$1,599,705,371 (almost exactly £100 millions) and exports from Hongkong \$1,315,579,528 (or about £82½ millions) against \$953,716,721 (about £59½ millions) and \$822,750,350 (about £51½ millions) respectively in the previous year.

Apart from the increases in the respective totals of imports and exports over those of last year, there has been a notable increase in the total of retained imports at \$284,125,840 (say £17½ millions) against \$130,966,371 (say £8 millions) last year. Hongkong, being largely an entrepot port, the adverse balance of trade is invariably referred to as retained imports, and on examination of the items mainly involved, reveals—apart from foodstuffs and provisions, a customary feature, for Hongkong produces little in the way of food—considerable retained imports of build-

ing materials and metals, these being required for reconstruction and rebuilding, which are now making good progress.

As to the direction of the trade of Hongkong, about 29% of all imports (or \$444,289,861) came from the United Kingdom and British Empire, and about 19½% (or \$358,976,842) and 12½% (or \$151,763,084) of all exports went to the United Kingdom and British Empire and to the United States respectively, and it will be observed that Hongkong, like many other countries, had an adverse balance of trade with the United States.

Even so, it is only within recent months that it has been made compulsory for exporters of tung oil, silver and tin, to surrender to the Control 25% of the proceeds of exports to the United States or other hard currency areas, and for exporters of products, such as desiccated coconut, raw rubber, pepper, diamonds and gunny bags, to hard currency areas to surrender 100% of the resultant proceeds. I mention these details to illustrate the type of problem which the Exchange Control Authorities encounter in Hongkong by reason of its entrepot trade, and the means taken to solve it. The different treatment accorded to the two groups of products is due to recognition of the fact that the items in the first group originate in China, while those in the second originate in the British Empire.

The existence of considerable amounts of U.S. Dollar funds, etc.—quite legitimately retained by exporters—which are marketed at rates divorced from the controlled rate between the Hongkong Dollar and the currency concerned, multiplies the difficulties of enforcing effective exchange control, and has repercussions which are not confined to Hongkong.

From time to time during the year there have been signs that recessions in trading conditions in Hongkong might be imminent. The continued heavy depreciation of the Chinese Currency, and the difficulties surrounding the import into China of commodities brought to Hongkong with this end in view, have resulted in accumulations of stocks, which in normal times might have had serious consequences. It would seem that there are two main reasons why the anticipated recessions have not occurred, or, if they have occurred, why they have been of minor importance. In the first place it is true to say that there has been, as yet, no world-wide surplus of any of the main commodities imported into Hongkong, so that there has never been any necessity for panic selling. In the second place there has been a continued influx into Hongkong of industry and wealth which has operated to maintain stability at a high level.

This is not to say that Hongkong's economy can continue to expand without

REVIEW OF HONGKONG'S COMMERCE AND INDUSTRY

At the meeting of Legislative Council of Hongkong, on March 19, H.E. the Governor of Hongkong, Sir Alexander Grantham, reviewed the general situation of the Colony in 1947 and the first two months of the current year. Following are H.E. the Governor's reports on the commercial and industrial progress achieved by Hongkong during last year as well as an outline of the shape of things probably to come during the following months.

THE FOREIGN TRADE OF HONGKONG

1947 has been a good year in Hongkong. Imports which totalled the figure of \$1,550 million, showed a rise of 62% over 1946: while exports at \$1,217 million have been 58% over the figures for the previous year. The reasons for this upsurge in trade are not difficult to find. *Hongkong is an oasis of political and financial stability in the Far East.* Surrounded by countries which suffered severely at the hands of the Japanese, it has known little of the political or economic difficulties, with which the surrounding countries have been beset, since the invader was cleared from the occupied territories.

fear of a serious set-back, for, while it is true that industries are being extended and that new industries are springing up, they are being nurtured on a basis of high prices, which are likely to prove vulnerable as soon as supply in the World begins to overtake demand. The process will be accelerated with the re-entry of Japan into the ranks of the World's trading nations.

Conditions in China.

Turning to CHINA, and realising that the Chinese National Currency Dollar has been constantly depreciating in value since 1937 until, today, it can scarcely be said to perform its proper functions, either as a convenient "means of payment" or a "store of value," one cannot but be impressed by the amount of trade still being carried on between China and the outside world. It says much for the ingenuity and pertinacity of Chinese trading firms and for those of other nations established in China, mainly British and American, who are keeping trade moving in spite of the chaotic conditions with which they have to contend. The Banks, both Chinese and Foreign, are also playing their part in face of almost unprecedented difficulties and complications, and they in turn are being assisted by the Central Banking Authorities, who are doing their utmost to control the situation in so far as this is possible in a country torn by civil war in which collected revenue can cover but a fraction of the budgetary expenditure.

Foodstuffs, oils and fats and textiles play the leading role in the Colony's trade. These items comprise almost 50% of imports and exports, while metals, chemicals, dyes, tobacco and paperware account for another 25% of the trade.

Trade With The Empire

The Empire's share of the trade which passes through Hongkong has increased since the war. In 1938 only 16% of the Colony's import trade, and 17% of her export trade, was the countries in the Empire, but in 1947 these figures increased to 28.6% for imports and 29.5% for exports. The United Kingdom was the chief source of Empire supplies, providing 10.6% of all imports, followed by British Malaya, 6.6%, Australia 3.4% and India 2.9%. British Malaya took the largest share of exports to the Empire with 17.6%. Exports to the United Kingdom did not reach prewar levels. South Africa was an important customer, taking 2.2% of all exports. Almost 70% of the Colony's import trade, and 80% of the export, has been with countries which border the Pacific, as against 90% and 83% respectively in prewar years. *Situated at the cross-*

But exports from China have long been unable to pay for essential imports in spite of the assistance so freely rendered by U.N.R.R.A. and the United States. China is rich in minerals and agricultural products, which are in demand in many countries, but Chinese prices are often too high to permit of shipment, one main reason being the lack of cheap transport from the interior to the ports. It has been suggested that the restoration of the British river and coastal shipping, which formerly served China so faithfully and cheaply, would do much to remedy this position, but the suggestion leaves out of account the operations of the Communist armies through which transport has often to pass on its way to the ports.

Advices from China indicate that the overall position is rapidly deteriorating, and it seems clear that no single move or remedial action from outside of China can have any but temporary or local effect. China's main troubles can be summed up as the civil war which is rending the country, the ensuing inflation of the currency, labour unrest, and the breakdown of communications and administration, and until the civil war is brought to an end, there can be no final solution.

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(In the next issue of this Review, No. 13, of March 31, will be published the Chairman's reports on conditions in other Far Eastern countries.)

roads of the Western Pacific, Hongkong is, by virtue of the geographical position, the main port of entry and exit for goods passing into and out of South China, but since the war it has also made significant progress, as the main port of transshipment for cargo passing to and from other countries in the Far East.

Trade with China and U.S.

The outstanding features of Hongkong's trade in 1947 have been the decline in the trade with China, and the increase in the trade with the United States of America. In common with other parts of the world, Eastern Asia has been compelled to look to the country with the largest exportable surplus to supply its needs for manufactured articles. Germany and Japan were formerly major sources of supply of manufactured goods, but with the disappearance of these two countries, Eastern Asia, which even before the war had strong commercial connections with North America, has exerted a strong pressure on the gold dollar area. It is true that the United Kingdom has been able to meet an increasing position of the demands for industrial products in Eastern Asia, but the United States have more than doubled their pre-war share of the Far Eastern market. Countries in which political unrest has prevailed, such as Indonesia and French Indo-China, have lost ground, although the former, in increasing her share to 1.5%, made considerable improvement over the previous year.

Trade with British Malaya.

A significant change has been the emergence of British Malaya as a main source of supply for the Far East. While there has been a big demand for rubber and vegetable oils from the South, not only to meet current consumption but also on inventory account, there can be little doubt that the law and order and the good administration which have prevailed in Malaya have enabled that country to capture some of the markets which were formerly supplied by Indonesia and French Indo-China. Hongkong's trade with Malaya also illustrates the reciprocal interplay of imports on exports and vice versa. As countries have bought through Hongkong a larger volume of Malayan products, so Malaya has responded in accepting a large volume of imports. Malaya took 17.6% of Hongkong's total exports during 1947 as against 21.1% in 1946, but these were still two and a half times as large as in 1938. Hongkong has been fortunate in being able to supply Malaya with a large amount of textiles and foodstuffs. Similarly Siam has been a good customer for textiles and foodstuffs shipped out of Hongkong, and has more than doubled her pre-war proportion of Hongkong's exports.

Exports To America

The high prices prevailing in the United States of America have offer-

ed an attractive market for the products of Eastern Asia, and it is not surprising therefore to find that exports to the United States have risen from 10% of the total exports in 1938 to 12.5% in 1947. Prices of primary products from the Far East, however, have been high, and there is little doubt that the flow of goods to America has been stimulated more by the desire to obtain gold dollar exchange to pay for imports, than by the prices which America was willing to pay. Imports through Hongkong from America were \$299 million for 1947, while exports to the United States amounted to \$152 million. The main export from Hongkong to the United States of America is tung oil, but there has been a severe decline in tung oil exports during 1947. In 1938 the United States of America took 36,746 tons of tung oil, but in 1947 this amount had, in spite of an increased price, fallen to 19,600 tons.

Trade with the Philippine Republic

The Philippine Islands have become an increasingly important customer. Although nominally part of the gold dollar bloc, the heavy calls which have been made by an insatiable demand have used up that country's U.S. exchange, and the new Commonwealth has been constrained to look for supplies from the soft currency areas. Goods to the value of \$62 million were taken by the Philippines from Hongkong in the year under review, representing 5.1% of all exports, of which more than half was foodstuffs. There is little doubt that exports to the Philippines would have reached a higher total if supplies from the United Kingdom, which have a high reputation in the Islands had been available.

Decline of China's Trade

The most disquieting feature of Hongkong's trade in 1947 has been the decline of commercial traffic with China. It could not have been otherwise in view of the internal conditions there. This is vividly reflected in the figures of exports from Hongkong to South China. South China took goods to the value of \$66 million in the second quarter of 1947, but only \$50 million in the final quarter against a quarterly average for 1938, when prices were much lower, of \$34 million. The most valuable foreign exchange earning commodity leaving China through Hongkong is tung oil, and the amount exported to all destinations from Hongkong during 1947 was 33,168 tons against 56,832 tons in 1938. This decrease has happened when there has been an unprecedented demand for the oil from foreign countries. China has not been able to take advantage of the seller's market prevailing in the world, to rehabilitate her internal economy.

Trade with Japan.

Another remarkable feature of Hongkong's trade has been the revival of trade with Japan. Close liaison has been maintained with General Mac-

Arthur's Foreign Trade Division since early in 1946, and Hongkong has had its own representative in Tokyo for the greater part of 1947. Pending the resumption of normal trading relations and the conclusion of a Japan-sterling area financial agreement, it has been necessary to conduct all trade on a Government to Government basis. A special makeshift procedure has been set up to provide merchants with facilities for buying and selling through Government channels with as much freedom as possible, and it is hoped in the near future to bring these arrangements even closer to normal trading procedure by the use of banking channels. Although these arrangements have been, of necessity, rather unwieldy, they have been better than the only alternative, which was stagnation, and it may be said that their existence, and the co-operation of S.C.A.P., have given Hongkong a considerable start in a trade which is likely to be of great importance in the long run. Even with these handicaps, imports during the year were valued at \$37 million and exports at \$15 million, compared with \$13 million and \$3 million, respectively, in 1938. The bulk of imports has been cotton yarn for local industries, but they have covered a very wide range of commodities. The major exports have been foodstuffs and edible oils. Hongkong may well serve as an important entrepot for Japanese trade in the future.

THE INDUSTRIAL POSITION OF HONGKONG

Considerable progress has been made towards the rehabilitation of industry, although it is still handicapped by loss of equipment, lack of raw material and excessive costs. There were however improvements in all factors. Although delivery of new equipment was still subject to inordinate delays, and none of the expected Japanese reparations were delivered, local improvisation did wonders, and a considerable amount of plant was brought down from Shanghai. An extensive modernisation of plant will however be essential if Hongkong is to keep its place in the industrial world against European and American competition: Chinese labour can no longer be regarded as cheap in comparison with Western.

There were certain new developments, such as cotton spinning and plastics, and interest was evinced from Shanghai in the possibilities of Hongkong as an alternative industrial area, in spite of certain comparative disadvantages, such as limited water supply, scarcity of suitable sites, and more stringent labour regulations. The weaving and knitting industries in particular improved. During the early part of 1947 they were using about one million pounds of yarn a month, and export markets were largely confined to Malaya and Siam, but, a reduction in local yarn prices in the autumn coinciding with increasing world prices, a

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boom started in October, and by the end of the year the industry was using 2½ million pounds of yarn a month, and its products were reaching the Middle East and Africa in fair quantities. The available supplies of yarn were in fact being outrun, and increasing difficulty is being experienced in meeting demand. In this connection, the establishment of a number of cotton spinning factories in Hongkong is very welcome, although little contribution can be expected from them before 1949. The development will be much to put the whole textile industry on a properly integrated basis, provided that yarn can be produced cheaply enough.

Progress of Local Industrial Establishments

The United Kingdom has again opened its doors to Hongkong preserved ginger and rubber shoes, and both these industries can look forward to a good year in 1948. The paint industry experienced a continuation of its 1946 boom, while other industries which prospered were food canning, rubber goods, hurricane lanterns, light metal wares, thermos flasks, hats and rattanware. The progressive match industry suffered from foreign competition but production was well maintained, while the flashlight industry maintained steady progress, in spite of continued difficulties over supplies of brass sheet (the greater part of which is derived at present from old shell cases). The connected bulb and battery industry did not do so well, owing to the uncertain quality of the product. Foundries were prosperous, largely owing to the difficulty of obtaining finished metal products from abroad; an index of their expansion is afforded by coke consumption which has risen to 500 tons a month compared to 100 tons prewar.

What are the prospects for the future? I do not wish to don the mantle of a prophet, particularly where the political and economic conditions in other countries are concerned, but it is evident that there is not going to be a quick recovery in any of the afflicted countries. The seller's market is rapidly vanishing; consumers' resistance to high prices is affecting demand, and there seems little development which promises an early expansion of the purchasing power of the peoples of the Far East. Whilst as regards our industries, they have at present the short term advantage that, subject to raw material difficulties, they have been able to offer prompter delivery than practically any other industrial area in the world, and this has induced buyers abroad to agree to pay Hongkong's comparatively higher prices. When however the postwar boom ends, and competition once more is fully effective, local industry can only progress or even survive on any scale, if it can reduce costs and improve quality. This means better and more modern equipment and more efficient labour. Not all our local industrialists are fully aware of this, and it would be wise of them to prepare now for the future.

During last year there has developed in the Colony a promising trade in diamonds thanks to the efforts of a few important dealers who have moved their headquarters to Hongkong as general conditions here were found to be the most stable and secure ones in the whole Far East and Western Pacific. In pre-war years a relatively small diamond business was carried on here but the volume of trade has greatly expanded particularly as from the end of 1946.

As in other respects, the Colony offered its unique services as one of the leading free ports and commercial entrepôts in the world to diamond merchants and their clientele. It is today quite common in Hongkong to purchase diamonds of the highest quality such as would be found in first-rate New York jewellery shops. While, however, local interest is limited by the numbers of well-to-do and upper middle class residents and transients the entrepot trade has been developed to a remarkable degree.

As a consequence of good business results so far achieved in the local diamond business much interest abroad has been evinced in the further promotion of this trade in and through the Colony. Provided that an adequate number of diamond experts should be attracted to Hongkong, recognising the potentially big business scope here, a considerable increase in diamond business is certain.

High World Demand

The output of diamonds as well as sales in international centres are controlled by the De Beers Syndicate who are able to keep the world prices for cut and industrial stones well balanced. The post-war economic disturbances in so many countries but also inflation fears in the most stable areas, like America, have induced strong buying sentiment among investors at large. This trend was well supported by the release of pent-up purchasing power, especially in the U.S., and the high degree of prosperity enjoyed by large numbers of people as a consequence of enforced austerity during the world war years. Popular spending for luxury goods after the end of war has also strongly influenced the diamond markets. The year 1946 saw record sales and prices, with the public in the U.S. buying about 80% of the world's output. Total sales of diamonds in 1946 were estimated at over US\$ 120 million but a decline set in last year

when total sales were estimated at US\$ 70 million, and peak prices, as ruled in 1946, experienced strong shadings. Industrial diamonds also met unprecedented demand which was due to expansion of industrial production generally; the use of industrial diamonds and diamond dust in oil drilling, in the glass industry, machine tool industry, in alloy steels etc. was at times very persistent.

Chinese Clients

The Oriental customer has also come to appreciate the value and beauty of diamonds although his requirements are still, by and large, very much different from the ideas of Western European and American connoisseurs. However, there is a growing number of buyers in the Far East who emphasise high quality and sneer at the more vulgar tendency to possess large but second and third rate stones. The education of the wealthy classes in China and other Far Eastern countries proceeds only slowly but the experiences of the post-war years have been somewhat encouraging; there is much more understanding now shown for high craftsmanship and superior qualities.

As regards the common buyer of diamonds in China of today the primary object is, of course, to rid oneself of the progressively depreciating Chinese currency and invest in such things which will retain their wealth value the world over. The considerable popularity which diamonds have come to enjoy among the wealthy people of China is, therefore, not an indication of a generally growing interest in these beautiful stones but just another convenient means to hoard wealth. As far as local sales are concerned the Chinese customer from the North has been the principal buyer and he has found many fine selections among dealers and leading jewellers.

Imports & Exports

Most diamond imports are arriving here from the Union of South Africa (but usually stones not heavier than 1½ to 2 carats), from Belgium and Holland (where the diamond cutting industry is traditional) and, recently, from Palestine (where a prospering industry has grown up in Tel-Aviv). The source of practically all diamonds remains the Union of South Africa. Exports from here are effected to the U.S., the buyer of highest quality stones only; to the Philippines, usually taking up inferior but heavier stones; to a few other Far Eastern coun-

tries; and to China. Shipments to China are usually going to Shanghai (by aircraft) but there is also a number of North Chinese clients who prefer to keep their treasures in the Colony. Some transit business is being done in Bangkok and efforts buying interest in and via Macao.

Prices and Qualities

Current world prices for medium size stones (1 to 2 carats) have increased over the pre-war average prices by 100 to 150%. In terms of gold, diamonds have appreciated during the years of war and reconstruction. Prices in Hongkong are now some 10% higher than in 1947 which is a consequence of the appreciation of US\$ on the unofficial exchange markets. One can buy at local jewellers first water diamonds, blue white, at \$ 3,000 to 3,800 per carat (stones up to 3 carats) while larger diamonds of rare quality command a price of \$ 4,000 to 4,500 per carat. Top white class diamonds are obtainable here at jewellers' from \$ 2,000 to 2,800 per carat.

Dealers are able to offer wide selections at much lower rates than are quoted by jewellers. Most of the currently offered stones are new cuts, imported after the war, but there is also a small quantity of pre-war cuts available. The investor will usually make his purchases from a dealer where the price asked is the lowest in town and in accordance with, if not slightly lower than, principal markets (London, Antwerp, Amsterdam, New York, Johannesburg, Tel-Aviv, etc.).

Jewellers' prices, with possibly one or two exception here, are not reliable and require close scrutiny by clients. Excessive prices asked by a few local jewellers have caused justified buyers' resistance on the part of resourceful investors and ordinary clients. The purchase of diamonds from reliable dealers and, if such is required, the setting of a stone (in gold or platinum) by a jeweller is a business which must be attended with care and understanding.

Import and Export Controls

Diamond imports and re-exports were here not subject to any controls and merchants were not required to record them as no trade returns were compiled concerning diamonds and other precious stones and jewellery. However, as a consequence of the greatly increased turnover in diamonds and the necessity to conserve the US\$ earning capacity of the Sterling area, Hongkong Government had to institute certain control measures as from the beginning of the current year. It is estimated that diamond

exports to the U.S. for 1947 have been valued around US\$ 1 million and a large number of more or less high quality stones were re-exported from here to China and the Philippines.

As practically all diamonds were imported from the Sterling and kindred areas (which last year included Belgium and the Netherlands) but local re-exports, to a large extent, were made against payment in US\$, a certain drain on sterling was experienced. The newly introduced control measures here aim at rectifying this situation by requiring diamond traders to surrender to Hongkong Exchange Control the value of imported or exported diamonds in US\$.

Diamonds have been included, as from January 2, 1948, under "Restricted Exports" (meaning a group of commodities which can only be exported to non-sterling countries provided that exporters surrender the whole or part of their proceeds to Government) and it has been stipulated that 100% of export bills have to be surrendered to Exchange Control. As, however, the checking of exports of diamonds from here has proved to be very difficult, another, and more effective, measure was adopted and has come into effect from February 27, viz. import control over diamonds from all destinations.

Special Import Licences are now required to be obtained by importers which are only issued after importers have sold to Exchange Control an amount in US\$ equivalent to the value of imported diamonds. This control measure will ensure that there cannot be any evasion by diamond traders. Diamond exporting countries permit shipments for abroad only if exporters can produce an import licence from the importing country, and therefore Hongkong Government has adjusted its control mechanism as far as diamonds are concerned to this fortuitous control in foreign countries. Diamond importers are now selling for every £ 100 worth of diamonds to be imported into the Colony an amount of US\$ 400, and thus it is ensured that eventual re-exports will not contribute to the weakening of sterling in unofficial exchange markets.

There is no intention, on the part of the Control, to curtail diamond imports; on the contrary, Government has given many proofs for its active assistance in the promotion of every business here, but the over-all aim of the Commonwealth and Empire, in financial affairs, must remain during the present emergency

and readjustment period to secure adequate amounts of hard currencies for all exports leaving sterling countries.

Local diamond dealers have appreciated these motives of Exchange Control and agree that diamond shipments from South Africa or Europe to Hongkong for re-export to hard currency areas must be paid in US\$. In future, all re-exports of diamonds to China or local sales to Chinese and other customers will have to be paid on the basis of US\$.

Since the official and unofficial rates of US\$ here are different (the unofficial rate being quoted some 40-50% above the official rate) the newly introduced control measures have already caused a very firm tendency and a general upward price revision of stocks now in hand of dealers and jewellers.

Importers have supplied Exchange Control with all necessary data as to their import plans for the current year and their business during 1947. The enforcement of the surrender of an US\$ amount corresponding to the import value of stones from abroad, while increasing quotations here, will not reduce business in the long run although for a few weeks there may be some reticence on the part of Chinese interests.

Most countries impose a duty on diamond imports which e.g. previously was as high as 10% in the U.S. but has recently been reduced there to 5%. On account of high import duties in several countries smuggling has been prevalent. No duties are enforced in Hongkong as it is a free port.

Cutting & Qualities

Diamonds consist of pure carbon, crystallised as octahedrons or tetrahedrons in the cubic system; the process through which carbon passes in its conversion into a natural diamond is not known. When cut and polished diamonds are the most brilliant of all precious stones but in the natural state they appear as dull, lustreless, more or less rounded pebbles or crystals. Usually diamonds are found colourless or white which are the most appreciated stones; diamonds with grey, red, yellow, green, blue and even black tint are also found. Diamonds with a very rare tint sell at highest prices. The brilliance or fire of diamonds is a consequence of their exceedingly high refractive index.

Diamonds are the hardest mineral known (hardness 10) and their specific gravity is 3.52. They can only be cut by other diamonds which is a slow process. Cutting is usually done by borts (diamonds of inferior colour) or by diamond dust. The treatment of stones is done by pressing them against a rapidly revolving disc impregnated with diamond dust; principal planes or faces are first formed around which are placed

EXCHANGE & FINANCIAL MARKETS

TRANSACTIONS IN AMERICAN DOLLARS

The highest TT New York unofficial rate was recorded here last week since an unofficial market resumed operations in a well-organised form at the beginning of 1946. Turn-over was also near record levels; investors, speculators, gold and merchandise importers were insistent buyers. Supply was inadequate and only extraneous sources enabled local buyers to obtain cover. Arbitrage operators are now heavily drawing on US\$ resources elsewhere in order to feed the heavy local demand. The high TT New York rate here has already influenced unofficial sterling

a number of smaller ones at correct angles, so that by refraction a blaze of light may result. Properly cut diamonds have 59 uniform facets. Three forms of cutting are known: the brilliant, the rose and the table. The brilliant has a flat surface at the top with facets at the side and also below, the lower part terminating in a flattened point. The rose is flat on the lower sides and the upper surface is ground into triangular facets which terminate in a common vertex. Table diamonds are thin and ornamented only by small facets on the edge.

Flaws in diamonds are of three kinds: inclusion of foreign minerals; gas or moisture pores; small fissures (feathers). The inclusions usually consist of coal or graphite and are known as sand when visible to the naked eye.

The quality of diamonds is graded into first, second and third water. First water stones are colourless, transparent and have no flaws, sometimes there is a tinge of blue. Diamonds of the second water may have some small faults or traces of colour. The value of a diamond depends upon its lustre, weight and quality (purity and colour).

Pre-war values of diamonds in Europe varied from £ 80 to 120 for a one carat diamond of the first water; from £40 to 50 for the second water, while small stones of only 1/8 or 1/12 carat each were valued at about £20 to 30 per carat.

Industrial diamonds (used as abrasives, for mounting in drills) are imperfect stones (called also black diamonds, borts, carbonados) which cost before the war from £8 to 15 per carat of larger stones.

A rough-and-ready means to estimate the weight of stones is by measurement: one carat measures 6.2 millimetre; 2 carat: 7.85 mm; 4 carat: 10 mm; half carat 5 mm, quarter carat 3.9 mm. Only by weighing a diamond can its proper weight be found out. (One carat is a weight of 200 milligrams, i.e. slightly over 3 grains troy; it is not to be confused with the carat used in the gold trade which is a proportional measure of 1/24th in stating the fineness).

dollar cross rates and as a consequence sterling can now be purchased in various free and black exchange markets much cheaper than at the beginning of February.

The local sterling/dollar cross rate came down last week to a record minimum: US\$2.62, a level which has never been reached in any foreign exchange market abroad since the end of war. The reasons for the very low local cross rate are: (1) continual heavy demand by gold importers who obtain either licences by the Macao Govt or manage to airlift gold into Macao without any licences; (2) Chinese flight capital trying to purchase US dollars in the local market in spite of the very high rate here (in Shanghai US notes and drafts may be purchased at better rates, from the Chinese flight capitalist's point of view, but supply is very tight there and often rather difficult to secure); (3) Chinese importers requiring TT New York in order to make purchases of industrial raw materials and such other commodities which may be shipped into China under special import licence, if self-financed, and on condition that such privileged importers guarantee to sell later their export bills for finished goods to Central Bank of China; (4) Arbitrage operations between Hongkong-New York-Shanghai for the purpose of margin clearings in cross rates; while this operation initially further inflates local demand for US\$ it brings, eventually, local rates down to a level more in line with New York's free market and Shanghai's black exchange (the Shanghai cross rate was some 10% higher in favour of sterling, than Hongkong); (5) Individual speculators and nervous investors who support the upward tendency by hedging in US\$, being under the misconception that the apparent weakness of Hongkong dollars is a reflection of an early official sterling devaluation.

The fluctuations on the local unofficial exchange markets are studied and, if opportunity offers, utilised by exchange operators in foreign markets. Large amounts of funds in New York were made available to local buyers by sellers abroad. The very small direct US\$ earnings here—overseas Chinese remittances and US\$ export bills as far as not controlled by Exchange Control—are entirely inadequate to supply the requirements, especially for Macao gold importers and Shanghai flight capitalists. Imports of merchandise from America are bound to suffer from the excessive unofficial TT New York rate as the general public is not willing to pay higher prices for American goods than demanded at present.

Highest and lowest prices on the local market last week: (In HK\$ per US\$100):—notes 588—560; drafts 598—570; TT 608—578. Cross rate high and low US\$2.77 and US\$2.62.

TRANSACTIONS IN GOLD BULLION

Highest and lowest prices here, in HK\$ per tael (37.7994 grammes): 344—331; cross rates per troy ounce (31.1035 grammes) US\$46½, lowest, US\$48, highest. Gold importers buy abroad on oz around US\$40½ to 41. Shanghai's unofficial gold cross rate last week US\$58 to 63.

Total cash sales in Hongkong last week 25,590 plus about 32,000 taels in the curb spot market. Average daily endorsement of gold sales by Gold Exchange Society 10,000 taels. Current stocks at native banks and dealers estimated at 250,000 to 300,000 taels.

Shanghai rates last week: CN\$25 million lowest, 33 m. highest (US\$ notes CN\$ 470,000 lowest 545,000 highest). Equivalent price of one tael of gold in Shanghai last week HK\$380.

Macao prices about HK\$10 to 15 lower (on account of transportation fees from Macao to Hongkong or South China). Estimated total arrivals in Macao: January 1948 over 250,000 ozs, February 360,000 ozs, first 3 weeks of March 400,000 ozs. Since last week 3 Catalina flying boats are discharging gold in Macao (2 owned or chartered by C.P.A., one by T.A.A.) Much gold which arrives in Macao is not covered by import licences but, on arrival, import duty is paid. Gold when unloaded is not weighed, the figures contained in the flying boat's manifest are recorded for purpose of import tax payment. Clearance papers show that gold is hauled into the Portuguese Colony from Bangkok, Saigon and Rangoon. (Charges by aviation companies are on the average 80 HK cents per ounce; with a minimum freight of 15,000 ozs. guaranteed).

Hongkong and Macao markets are oversupplied which caused the weakness of the rate and a remarkably low cross rate. At the same time buying in China has eased off as a consequence of general economic deterioration and pauperisation in the country. The expected American relief loan and grants, when materialising in heavier volume, will increase the gold bullion buying capacity of certain groups in China and stronger prices will ensue.

The Macao Govt. is about to issue new licences, both for importation and for "transit." Some importers have transferred US\$ to Lisbon where they bought Macao patacas for payment to Banco Nacional Ultramarino of the required 10% deposit prior to issuance of licences; by this method the importers obviate the necessity to buy patacas in Macao at a heavy premium over Hong Kong dollars. The exact number of gold import permits issued or allegedly issued during the last few weeks cannot be ferretted out as this matter is kept a secret of the Macao Govt.

Gold importers were recently obliged to pay from HK\$25 to 28 per oz. to a Chinese native bank as the lucky or well-connected holders of licences did only part with them against payment of a "bonus." This extraordinary contribution by importers to the funds of licence holders, through the services of certain native banks, has now been reduced as a consequence of the operation of the law of demand and supply; currently some \$15 per oz. is paid, and if licences will be issued in large numbers after April 1st, the rate of the "bonus" may further decline. The market is at present well saturated and a brisker offtake by Chinese customers is desired.

Comparative gold prices:—Hong Kong market average prices last week HK\$335 per tael, US\$47 per oz.; highest and lowest prices in 1947: HK\$405—254 per tael; US\$57½—42 per oz. Official gold price (parity) in Hongkong: HK\$138.95 per troy ounce or HK\$168 per tael.

In the local, Macao and Canton gold markets the implications of the current large-scale trading are eagerly discussed: e.g. the possible attitude of the Portuguese Government in Lisbon, the policy, if any, of the Chinese Central Government, the Chinese interests in Canton and elsewhere who benefit from the uninterrupted flow of gold, the disinterested Kuomintang press which ignores this business altogether, etc. There is a proverb which deserves to be quoted here: "Talking is silver, silence is gold."

BANK NOTE MARKETS

Plastres sold on the spot market 7 million, average price HK\$12½ per 100 p. Little speculative capital turns to plastres and other bank notes these hectic weeks when the US\$ and gold price movements offer so many opportunities. Pound notes were in better demand as many people left the Colony for the U.K. Baht notes quoted firm at \$27. Nica guilders remain neglected around \$31/32 a consequence of the strict surveillance of the authorities in Indonesia.

CHINESE MONEY MARKET

On March 17, Central Bank of China further increased the official open market rates to CN\$258,500, selling, TT New York, and CN\$775,500, selling, TT London. Cross rate sterling/dollar remained unchanged at US\$3. Black market rates for US\$ at beginning of last week CN\$475,000 closing the week at 515 to 540,000. Hongkong notes came up to CN\$100,000 in Shanghai while Canton quoted HK dollar CN\$64,000 lowest, and CN\$72,300 highest. On the average Shanghai dollars suffered a discount in South Chinese markets from 24 to 30%.

Hongkong market quoted Chinese scrip on the spot and forward market, highest and lowest respectively: HK\$16½—14½ and 13½—11½ per one million CNS. Remittances to Shanghai and Canton went down to HK\$10½ and 13½ respectively. As new trillions of Chinese scrip were released onto the Chinese markets by Central Bank of China the local market was also overwhelmed with

new paper streams which are usually arriving here, in great loads, by steamer from Shanghai.

Commodity prices in China are daily jumping; within the last six weeks the general price level went up 150/200%. Dishonoured cheques in Shanghai amounted to 700 billions

for the week ending March 10, and are expected to total before the month is over one trillion per week. Private interest last week in Shanghai increased from 28 to 37% per month (24% p.m. on March 1); funds from Shanghai have flowed to South China during last fortnight.

SILVER BUSINESS

In line with record TT New York rates the silver market was also up to the sky with \$4.25 and over quoted per tael, \$2.70 and 2.05 for silver dollar and 20 cent coins respectively. Shipments to New York are effected at the usual level.

OUTPORT QUOTATIONS

Singapore:—gold per tael Straits dollar 182 to 190 per tael.

Bangkok:—gold per bath weight of 15 grs. 535 to 540 ticals. TT Hongkong 3.70, US notes 22. Burmese rupee 4. Straits dollar 6.72, Indochina piastre 0.46 ticals.

Swatow and Amoy averages of end of last week:—gold per ounce CN\$24 million. TT Hongkong CN\$69,000, discount of Shanghai dollar 27 to 29%.

TAIWAN DOLLAR EXCHANGE RATE

Without any official statement made, the Bank of Taiwan appears to have discontinued the system of fixing an exchange rate for Taiwan yuan in terms of the daily depreciating legal tender of China. The last fixed exchange rate was announced on March 5, viz. CN\$150 per Taiwan yuan (compare our issue of March 10, p. 233). On March 16, the Bank of Taiwan announced a new rate at CN\$195 and subsequently increased it to CN\$205 and, on March 20th to CN\$210. In the face of developments in China it has been obviously impossible for the Bank of Taiwan to maintain a fixed rate even for a short period and therefore an "open market" rate has been adopted.

REMITTANCES BY OVERSEAS CHINESE

Officially recorded remittances from the U.S. to Hongkong and China amounted to US\$24.1 million in 1947. Peak remittances, according to the U.S. Department of Commerce, were made in 1946 when Hongkong and China received US\$46 m. while the pre-war average was US\$23 m. These figures do not fully correspond to estimates by local and Shanghai bankers as to actual amounts in US\$ received in 1947 from overseas Chinese remitters in the U.S. It appears that the Dept. of Commerce figures are understatements.

Remittances from Singapore and Malaya to China for January and February 1948 were as follows (in Straits dollars):—From Singapore: Jan. 1,986,445, Feb. 770,190. From Malaya: Jan. 733,899, Feb. 112,549.

HONGKONG EXCHANGE CONTROL

Mr. E. E. F. Hibbert has taken over the position of Exchange Controller from Mr. G. O. W. Stewart who has rejoined the Hongkong & Shanghai Banking Corp. The new Exchange Controller came out to the East in 1929 and remained with the Hongkong & Shanghai Bank in Shanghai, Tientsin, Bombay and Colombo, serving during the war on the Australian Shipping Board and after the conclusion of the war returned to Bombay and later to the Colony.

Mr. Stewart will continue for some time to assist Mr. Hibbert in his duties as Exchange Controller. After coming to the Far East in 1933, Mr. Stewart served in Hongkong and Shanghai until, in 1939, he was transferred to Calcutta, joining in 1940 the Army but was released from active service in December 1941 when he was required, in his capacity of Exchange Controller, by the Reserve Bank of India at first in Rangoon and later in Calcutta and Bombay where he eventually acted as Chief Exchange Controller for India.

CANTON UNOFFICIAL EXCHANGE MARKET

All money changers in Canton were advised to register at the Finance Department where a licence would be issued to every individual to carry on business. In order to limit the number of money changers operating in that city, the issue of licences has already been temporarily suspended and it is therefore necessary to purchase licences unofficially which cost 8 to 10 taels of gold.

Due to the strict regulations which have to be observed by money changers in Canton, as enforced by the Finance Control Bureau, a great number of such business concerns are prepared to close shop. In fact, over 10 shops already discontinued their business, and re-established new offices in the surrounding areas, e.g. Fatshan, Sze Kiu, Kong Moon, or in the West River Area like Shiu Hing or in the East River Area like Wai Yeung, Mui Yuen etc.

HONGKONG BALANCE OF PAYMENT DIFFICULTIES

As will be found in today's Review under "Commercial Market Reports" the Exchange Control has notified importers that in future only very limited exchange allocations for imports from Belgium, Germany, Italy, Portugal and Switzerland can be given since balance of payment difficulties are experienced as far as these countries are concerned. It is not impossible that one or more European countries may in future be included into the list of countries from whom imports can only be approved in special cases. As far as industrial equipment and chemicals from Belgium are concerned the limitations now to be enforced on imports may inconvenience merchants and manufacturers but all essential enterprises, such as dockyards and factories here producing for local consumption and for export, will not suffer from shortages. Swiss precision tools and pharmaceuticals, Italian cotton yarn and textiles will be made available to consumers and factories. With Portugal there has been practically no trade and Germany has as yet not resumed business with the Far East but for negligible amounts.

MOST IMPORTANT PROBLEMS OF CHINA'S FINANCES

The Finance Minister of the Chinese Govt., Mr. O. K. Yui, informed the press on March 19 that the following were the most urgent problems facing the financial position of China:—(1) "The smooth interflow of idle capital", (2) "The eradication of speculative activities", (3) "The revision of existing banking laws", (4) "The tightening of financial controls", (5) "The formulation of loan policies", and (6) "The restriction of remittances between Shanghai and Canton".

From the enumeration of these very urgent problems it appears that the balancing of the State budget, the slowing down of the fantastic rate of progressive monetary inflation, the curbing of graft and nation-wide corruption, the reduction of State monopolies' operations, the modification of a policy aiming at the planned expropriation, by means of the bank note press, of the middle class, have not been considered as very urgent.

HONGKONG UNOFFICIAL EXCHANGE RATES (IN HK\$)

		CNS (per one million)															
		Spot		Forward		S'hai		Canton		US		(per 100)					
Mar.	Gold per Tael	High	Low	High	Low	High	Low	T.T.	T.T.	Notes	Draft	T.T.	I.C.\$	Guilder	Baht	Note	Note
15	344	335		16%	16	13%	13%	11½	15	575	585	592	12½	31½	27½	13.1	
16	336½	331		15½	14%	13%	13½	11½	15½	561	574	580	12½	31%	26%	13.1	
17	338½	331½		15%	15½	13½	13	11½	15½	572	585	592	12½	32	26½	13.2	
18	336½	333		15½	15½	12½	12	10%	14½	575	588	595	12½	32	27	13.3	
19	341	335½		15½	15	11%	11½	10½	13%	580	590	600	12½	31½	27	13.3	
20	337	335		15	14%	11½	11½	10%	13%	578	590	597	12½	32	27	13.3	

HONG KONG STOCK & SHARE MARKET

Political uncertainty and fresh labour demands by employees of the Hotels operated by the Hongkong & Shanghai Hotels Ltd. caused many operators to sit on the sidelines during the week, March 15 to March 19. Consequently, trading was slow and selective. Volume, too, was on a more moderate scale and totalled 115,640 shares of an approximate value of \$4½ millions compared with 220,000 shares valued at \$6 millions for the preceding period.

The immediate general trend has become somewhat uncertain and is belated by the strike of the employees of the leading Hotels since noon on Friday.

Devaluation

There was a revival of devaluation rumours in London, which spurred buying of South African dividend paying Gold Mines. As was pointed out previously in these columns, this method of hedging against devaluation has been going on steadily for sometime. There were also reports emanating from New York that Britain's defence of sterling was undesirable, but neither of these reports had any effect on the Hongkong market possibly due to their reaching here towards the close of business for the week.

Price Index

The Felix Ellis' price index showed a decline of 1 point compared with the close of the previous week. Day-by-day his averages were: March 15, 146.89; Mar. 16, 146.83; Mar. 17, 146.58; Mar. 18, 146.32; Mar. 19, 146.19. The High and Low for 1947 were 155.82 and 123.88 respectively. The low for 1948 was 145.26 on Jan. 14, while the high was 148.68 on Feb. 12.

Company Reports

The Report and Accounts of the H.K. TRAMWAYS for the year 1947 reveal a better showing than for 1946. The net profit increased by \$222,448 but depreciation increased by \$266,520 because of the revaluation of the Company's undertaking as a result of which two bonus shares were declared last year. The dividend recommended involves an increased distribution of \$630,500. \$282,199 is transferred to General Reserve while \$200,000 is transferred to Contingencies Reserve, and the Carry Forward to 1948 Account is \$241,739 as against \$158,631 the previous year. Fixed Assets stand at \$9,222,302 representing an increase of \$69,702. Investments at cost stand at \$2,999,063 representing an increase of \$1,387,592 over the previous year, the market value of which as at Dec. 31, 1947, was \$4,788,789 which represents a book profit of \$1,789,726. Current Assets exceed Current Liabilities, which include the dividend recommended involving the payment of \$1,930,000 by \$20,374.

Business Done

GOVT. LOANS 4% at 101.

H.K. BANKS: at 2,050, 2,045, 2,040, 2,042, 2,040, 2,030, 2,040, 2,030

INSURANCES: UNIONS at 790; H.K. FIRES at 330.

DOCKS & GODOWNS: WHARVES O. at 175; N.P. Pd. at 107½, 105; H.K. DOCKS at 31, 32, 32½, 33, 32½, 32½, 32½, 32, 32½; CHINA PROVIDENT at 24½, 24, 23½.

MINING: RAUBS at 7. HOTELS & LANDS: H.K. HOTEL at 20, 19½, 19½, 18½, 18½, 18½; LANDS Old at 91½, 92½, 93; LANDS New at 89½, 90, 90½, 90, 90½, 91; SHAI LANDS at 7.10, 7, 6.70.

UTILITIES: H.K. TRAMS at 23½, 23½, 23, 22½, 23; PEAK TRAMS New at 15; STAR FERRY at 130; YAUMATI FERRY at 62, 64, 62½, 62, 61½, 62; LIGHTS Old at 24½, 24, 23.90, 24, 24½, 24, 23½; LIGHTS New at 20, 19½, 19½; ELECTRICS X.D. at 52, 51½, 52, 51½, 51½, 51½, 51½, 51½, 51, 50½, 51; TELEPHONES Old at 49½, 49, 48½, 48; TELEPHONES New at 48½.

INDUSTRIALS: CEMENTS X.D. at 43½, 44, 43½, 43½, 43½, 43, 42½, 42, 42½, 42½, 42½, 43; DAIRY FARM x Rts. at 63½, 63, 62½, 62, 61½, 61, 61½; DAIRY FARM Rights at 39, 38½, 38, 37; WATSON X Rts. at 52; WATSON Rts. at 28, 28½, 28½, 28½.

STORES: LANE CRAWFORD at 59, 58½, 58, 57; SINCERE at 9.45, 9.20; CHINA EMPORIUM at 13; KWONG SANG HONG at 205. MISCELLANEOUS: CHINA ENTERTAINMENTS at 38. COTTONS: EWOS at 19, 20, 19½, 20.

Hongkong Exchange Brokers

Two new applications for the acquisition of a seat at the Exchange were received during the current month by the Committee of the Exchange:—Mr. B. W. Bradbury, a director of Local Printing Press Ltd. and Supervisor of Shipping Dept. of Dairy Farm, Ice & Cold Storage Co., Ltd.; and Mr. O. P. Remedios, of 39, French Bank Building, applied for election as members of Hongkong Stock Exchange Ltd.

NEW ISSUE OF SHARES IN HONGKONG PUBLIC COMPANIES MADE OR ANNOUNCED IN 1947.

BANK OF EAST ASIA.—(1) A Bonus issue of 27,993 Shares of \$100 each in the proportion of one new for every two Shares. (2) An issue of 16,021 Shares at par (\$100) in the proportion of one new for every five shares.

UNION WATERBOAT CO., LTD.—An issue of 32,617 shares at par (\$7) in the proportion of 4 new shares to every five shares held.

H.K. & WHAMPOA DOCK CO., LTD.—An issue of 527,125 shares at 100% premium of which 300,000 shares were offered to shareholders in the proportion of three to every five shares held; the entire issue was underwritten.

H.K. & KOWLOON WHARF & GODOWN CO., LTD.—An issue of 90,000 shares at 100% premium on the basis

of one new for every one old share.

H.K. LAND INVESTMENT & AGENCY CO., LTD.—An issue of 100,000 shares at 100% premium on the basis of one new for every three old shares.

HONGKONG TRAMWAYS LTD.—A bonus issue of 1,300,000 shares in the proportion of 2 new for every one share held.

HONGKONG ELECTRIC CO., LTD.—A new issue of 597,278 shares at par on the basis of 2 new for every 5 old shares.

GREEN ISLAND CEMENT CO., LTD.—A new issue of 97,779 shares at par in the proportion of 1 new to every 2 shares held.

DAIRY FARM ICE & COLD STORAGE CO., LTD.—A new issue of 195,555 shares at 100% premium on the basis of 2 new for every 3 shares held.

A. S. WATSON & CO., LTD.—A new issue of 150,000 shares at 100% premium on the basis of one new for every one old share.

CHINA EMPORIUM LTD.—A Bonus issue of 66,852 shares in the proportion of one new to every two old shares.

HONGKONG STOCK EXCHANGE TRANSACTIONS

During the week ending March 19, total sales at the Exchange amounted to a value of \$3,168,149; compared to the turnover for the previous three weeks of respectively \$6,054,349; \$5,205,278; and \$10,135,743.

Highest and lowest rates for the week and number of shares sold:—

Name of	Highest	Lowest	Shares
Stock	Price	Price	Sold
H.K. Bank ...	2,050	2,030	175
Union Insur. . .	790	790	90
H.K. Fire . . .	330	330	20
Wharf, new . .	107½	105	100
Docks	33	31	5,700
Providents . . .	24½	23½	2,300
Hotels	20	18½	4,920
Lands, old . . .	93	91½	3,600
Lands, new . . .	91	89½	2,799
Trams	23½	22½	6,200
Star Ferry . . .	130	130	200
Yaumati Ferry	64	62	1,503
Electric	52	50½	8,967
Lights, old . . .	24½	23½	25,150
Lights, new . .	20	19½	3,208
Telephone . . .	49½	48	3,800
Peak Tram . . .	15	15	200
Cements, old . .	44	42	14,450
Dairy Farm . . .	63½	61	6,658
Dairy Farm, Rts.	39	37	6,242
Watsons	52	52	300
Watsons, Rts. .	38½	38½	1,558
Lane Crawford	59	57	700
Sinceres	9.45	9.20	1,900
Entertainment .	38	38	424
Emporium . . .	13	13	500
Kwong Sang			
Hong	205	205	50
Raub Mines . .	7	7	5,500
Shai Land . . .	7.10	6.70	6,700
Ewo Cotton . .	20	19½	3,500

The 4% Government Loan changed hands at \$101 for an amount of \$26,000.

HIGHEST & LOWEST QUOTATIONS AND YIELD OF HONGKONG PUBLIC SHARES

Name of Stock	Rates Yield Based		1947	High	Low
	Dec. 6 1941	Closing 1947	on net total distribution in 1947		
H.K. Govt. 4% Loan	104½	106	3.77	109	103
do. 3½% Loan (1934)	—	100	3½	103½	101
do. 3½% Loan (1940)	—	100	3½	103½	101
H.K. & Shai Banking Corp.	1,445	1,995	4	2,135	1,340
Bank of East Asia Ltd.	77	125	5.6	155	115
Canton Insurance Office, Ltd.	250	365	3½	465	330
Union Insc. Soc. of Canton Ltd.	450	750	3	840	630
China Underwriters, Ltd.	—	50	6.60	9.75	80
H.K. Fire Insurance Co., Ltd.	200	390	2.66	345	240
Douglas Steamship Co., Ltd.	120	290	5½	270	200
H.K. Canton & Macao Steamboat Co., Ltd.	11	14.50	—	14.50	11
Indo-China Steam Navigation Co. Ltd. (Preferred)	100	100	4.75	120	100
Indo-China Steam Navigation Co. Ltd. (Deferred)	110	300	5	395	240
Union Waterboats Co., Ltd. (O.)	—	45	—	51.50	22
do. (N.)	—	45	5½	47	42
H.K. & Kowloon Wharf & Godown Co., Ltd. (O.)	103	155	—	C. Rts. 270	130
H.K. & Kowloon Wharf & Godown Co., Ltd. (N.)—F. Pd.	—	149	5 X Rts.	160	158
H.K. & Kowloon Wharf & Godown Co., Ltd. (N.)—P. Pd.	—	95	—	Rts. 61.50	47.50
H.K. & Whampoa Dock Co., Ltd.	19.40	32	—	44	15.50
China Provident Loan & Mortgage Co., Ltd.	—	7.80	23½	4½	26
Shanghai Dockyards, Ltd.	—	—	17.25	—	22
Raub Australian Gold Mining Co., Ltd.	—	—	5.25	—	7
Hongkong Mines, Ltd.	—	—	.025	—	.07
H.K. & Shanghai Hotels, Ltd.	4.50	25	4	27.25	15.50
H.K. Land Investment & Agency Co., Ltd. (O.)	38.15	93½	—	99	74.50
H.K. Land Investment & Agency Co., Ltd. (N.)	—	79	2.4	83	76.50
Shanghai Lands	—	—	5.50	—	6.80
Humphreys Estate & Finance Co., Ltd.	8.50	28.50	3½	32.50	17.50
H.K. Realty & Trust Co., Ltd.	4.30	18	—	26	15
Chinese Estates Ltd.	102	186	4½	190	155
H.K. Tramways, Ltd.	18	25	2.65	81.00	22.75
Peak Tramways, Ltd. (O.)	6.50	18.75	—	19	9
do. (N.)	3.25	9	—	9	4.50
Star Ferry Co., Ltd.	55	122	3.2	142	68
H.K. & Yaumati Ferry Co., Ltd.	23.75	28.50	—	35.50	23.50
China Light & Power Co., Ltd. (O.)	6.90	21	6	22.75	8.75
do. (N.)	3.60	16½	—	17.25	5.25
H.K. Electric Co., Ltd. (O.)	22.25	52½	6	84	29.75
do. (N.)	—	50	—	50	37
Macao Electric Lighting Co., Ltd.	18.25	24	—	26	12
H.K. Telephone Co., Ltd. (O.)	25.75	40.75	3	61.50	31.50
do. (N.)	9.50	39	—	39.50	18
Sandakan Light & Power Co., Ltd.	12.60	10	—	13.60	5
H.K. & Canton Ice Mfg. Co., Ltd.	—	7	—	7	1
Green Island Cement Co., Ltd. (O.)	18.30	30.75	—	38.25	13
do. (N.)	—	29.50	—	32	30.50
H.K. Rone Manufacturing Co., Ltd.	11.50	20.50	—	25.25	9.25
Dairy Farm, Ice & Cold Storage Co., Ltd.	19	58½	6.6	104	30.25
A. S. Watson & Co., Ltd.	14.25	66	4	83.50	20.50
Jane, Crawford, Ltd.	8	50	10	66	20.50
William Powell, Ltd.	—	12.25	—	14.50	3
Sincere Co., Ltd.	3.70	8.50	10	10.60	5
China Emporium, Ltd.	—	13	9	14.50	4.20
Sun Co., Ltd.	—	5	—	7.20	2.50
Wing On Co., Ltd.	39	140	—	165	68
Two Cotton Mills, Ltd.	—	13.75	7	13.75	7
China Entertainment & Land Investment Co., Ltd.	6.90	37	5.4	38	25

PLANS FOR SOUTH CHINA'S AGRICULTURAL ADVANCE

To improve and increase South China's agricultural products Dr. T. V. Soong, Governor of Kwangtung, has accepted the recommendations made by Dr. O. M. McConkey, Canadian Forage Crops Specialist in the Special Advisory Group of the United Nations Food & Agriculture Organisation, for introducing Taiwan's improved varieties of crops and livestock and poultry breeding methods for experiment wherever practical in South China. Dr. Soong also accepted Dr. McConkey's recommendations that two Japanese specialists, one in crops and the other in animal husbandry, who have had more than 30 years of practical experience in Taiwan, be employed as advisers and their scientific and long practical experience be utilised.

Professor McConkey of the Agricultural College, University of Toronto, Canada, is on loan to the United Nations Organisation and has surveyed the agricultural conditions in Taiwan, Manchuria and Southwest China. He made these recommendations after his Taiwan survey trip last December through the Chinese Ministry of Agriculture and Forestry to Dr. Soong, who readily accepted and asked the Canadian crops specialist to make necessary preparations.

As Taiwan lies within the same latitudes and has similar climate and ecological conditions as South China, Dr. McConkey recommended that the former's successful farming results should be simultaneously introduced, applied and tested in the southern provinces of Fukien, Kwangtung, Kwangsi, Southern Hunan and Hainan Island.

The Kwangtung Governor immediately consulted with other provincial governors concerned and organised a 15-member agricultural mission to be taken to Taiwan by the Canadian specialist for investigation. The mission which is participated in by agricultural experts of these provinces passed through Hongkong last week from Canton en route to the former Japanese dominated island.

Interview with Dr. McConkey

During his brief stopover here, Dr. McConkey told the *Far Eastern Economic Review* in an interview that if all the improved crops and livestock varieties of Taiwan are to be properly and practically introduced into South China and the knowledge of these two Japanese specialists be utilised to the fullest extent, these southern provinces will be much benefited and their agricultural products be greatly improved and increased.

Professor McConkey said: "South China has excellent climate for crop production, particularly rice, sugar cane and jute. There is also 100 million acres of grassland in Kwangsi and Hunan, 40 million of which can be utilised to a great extent for livestock production. The soil in South China requires a great deal more organic matter and this can be most economically supplied by green legume and manures.

LAND & HOUSES

NEW BUILDING AND RECONSTRUCTION

Interview with the Director of Hongkong Public Works Department

Notwithstanding the acute shortage of materials in the Colony there has been steady progress in the rehabilitation of war damaged government and civilian buildings as well as in the construction of new houses, the Hon. V. Kenniff, Director of the Public Works Department, said in an interview with the *Far Eastern Economic Review*.

"In addition to a heavy programme of Government building and rehabilitation work the Public Works Department has had to undertake, since the liberation of the Colony, similar work in the restoration of services which also suffered through war damage and neglect of maintenance, such as the Colony's water supply, road and drainage systems, piers and harbour works. The removal of Japanese fortifications and the survey of filling of the dangerous air raid tunnels left by the enemy has also been a difficult task.

"Apart from these Government works there has been very considerable building activity by the public, and during 1947 almost 3,000 plans for new building work, rehabilitation and repairs, as well as for alterations and additions to existing premises, were submitted to the Building Authority. Some 90% of the plans submitted were approved, and

these included 67 new houses of European type, 251 new Chinese style houses, 152 new office and industrial buildings, 727 plans for the rehabilitation or repairs to residential property and 1,461 for alterations to business premises.

"Approximately 70% of the pre-war Government buildings were damaged to varying degrees during the occupation. In order to accommodate all Government departments as soon as possible after re-occupation all rehabilitation was carried out on a temporary and austerity basis. This was necessary on account of the acute shortages of suitable building materials and served to provide barely "habitable" accommodation. Some 300 buildings had been rehabilitated on these lines by the end of 1947. Of these some 100 were of a purely residential nature and the remaining 200 of an administrative nature; though many contained quarters.

"Due to the makeshift nature of the original rehabilitation, the necessary use of unseasoned timber and other unsuitable materials, the repaired buildings are beginning to show signs of disrepair. With better supplies of building materials Government has now commenced a five year programme of rehabilitation of all Government buildings to their pre-war standard, which will include those which were repaired on austerity lines. Similarly, Government is now able to embark increasingly on its normal programme of maintenance.

"In addition, Government has undertaken and commenced work on blocks of flats in Hongkong and Kowloon which will provide 118 new flats. Of these 5 have been completed at Victoria Hospital site, 26 are at Leighton Hill and are due to be completed in September of this year. Work has commenced on blocks at the Peak Pavilion site, giving 11 flats, King's Park 48 flats, Queen's Garden 26 flats. In addition 2 houses are being reconstructed on the Peak.

"A new temporary office block has been completed at Lower Albert Road on the site of the pre-war P.W.D. Offices which were bombed, and plans are being prepared for another on the old Architectural Office site.

"Further construction and planning for the coming year include for an early start a new temporary market in Kowloon, several police stations and a further 30 flats at Severn Road and Victoria Hospital site."

* * * *

REAL ESTATE MARKETS

Obviously on account of speculative operations land prices on both sides of the harbour registered between 10 to 50 percent increases since the beginning of the year. Approximately 3,000 land transactions and mortgages were recorded during the first three months of 1948. It has been frequently observed that one piece of land has been transacted as many as three times during the same period.

The most active land transactions were recorded in industrial areas in Kowloon as many Chinese industrialists from the politically disturbed neighbouring country desire to purchase suitable sites for operating their factories. Conspicuous buyers in this category were several large cotton spinning mills and one oxygen producing factory. Many of the choicest industrial sites changed hands amongst land speculators who were hoping to reap big profits when re-selling them eventually to industrial investors.

Land for Factories.

Factory sites up to 50,000 sq. ft. are still easily found and purchased in Kowloon but larger sites of over 100,000 sq. ft. are now difficult to obtain. For this reason, cotton spinning mill owners are often frustrated when suitable sites for their factories are searched for. Seeing their difficulties, the Public Works Department recently took action and cleared two sites of over 200,000 sq. ft. each along the waterfront in Shamshui, Kowloon, which will come up for auction at the

"Another great need is soil conservation and irrigation. The development like the Tennessee Valley Administration in river basins of South China should be carried out. With improved varieties of crops introduced from Taiwan and improved methods of production (breeding and feeding) as perfected by Japanese in Taiwan, applied wherever practical, there is a great future for developing South China's agriculture and forestry with the application of scientific and practical farm methods.

"There is no need for South China being a food deficit area. It requires a strong governmental agricultural department in every province, staffed with practical as well as well trained scientific men. At present, these agricultural departments are too weak and have not sufficient money to carry out agricultural projects. 10 percent instead of the present 4 percent of the provincial revenues should be earmarked for agricultural purposes. After all China is primarily an agricultural country and more national revenue should be set aside for agricultural projects.

"Instead of being incorporated into the reconstruction department, every provincial agricultural department should be an independent organisation and its commissioner should be on a level with other commissioners of the province, such as education, civil and reconstruction."

After completing their mission in Taiwan which is expected to last two weeks, Dr. McConkey and his party will possibly be accompanied back to Canton by the two Japanese specialists, Professors E. Iso and J. Yamane. These two Japanese experts will make a survey of Hunan, Kwangsi, Kwangtung, Fukien and Hainan Island and report on methods of improving crops and animal husbandry in South China.

A wide range of sub-tropical and tropical varieties will be brought back by the 15-member agricultural mission from Taiwan. These varieties include rice, sweet potatoes, sugar cane, tea, jute, ramie, and oil crops such as peanuts, sesame, rape and castor.

It is, however, a long process and Dr. McConkey does not expect South China to recover to a state of self-sufficiency in food in the next 10 years even if Taiwan's practical methods and varieties are to be introduced and carried out properly.

PROGRESS OF CONSTRUCTION AND REHABILITATION

Value of Land and Houses

beginning of the next month. About 23 smaller Chinese shipyards are still occupying these two sites, but P.W.D. has already notified 16 of them to quit the sites within three months. The shipyards concerned have complained that they will suffer an estimated loss of \$2,000,000 as a result of the P.W.D. action, but officials argue that they have been practically doing nothing and it would be a waste of time and money for them to continue occupation of the useful land which might be utilised by one or two big factories. The owners of two cotton spinning mills are eyeing the sites and it is certain that they will go all out to obtain the land at the forthcoming auction.

Many real estate dealers suggest that a good deal of land could be utilised for industrial purposes in the New Territories, particularly in the Tsun Wan area. However, there are multiple difficulties for large industries to set up their factories in that area. For instance, it is too far from town and it may thus cost factories considerable expenses when transporting raw materials to and finished products from the area. In addition, the main problem is an adequate power supply which, however, cannot be sufficient for some time to come as far as outlying districts are concerned, particularly such enterprises as cotton spinning mills with about 10,000 spindles. Prices of land in Tsun Wan, nevertheless, have soared up. A piece of land which could be bought at less than \$1 per sq. ft. last autumn is today quoted at between \$3.50 and \$4 per sq. ft.

Land prices in Tsimshatsui are quoted at over \$40 per sq. ft., in Yaumati at \$35 and in Shamshuipo at \$25 per sq. ft.; all prices have recorded increases from 10 to 40 percent when compared with last autumn. The price of land in Wanchai, on the Island, rose from \$30 at the end of last year to \$55 per sq. ft. today. In Kowloon, three joint owners (two Europeans and one Chinese) of a large vacant site along Nathan Road near Star Ferry district recently asked \$50 per sq. ft. for that particular site.

All public land auctions conducted by P.W.D. are always well attended and prices paid as a rule exceed upset prices by wide margins.

Office and Residential Buildings

Transactions in office buildings and residential houses have also been on an upward trend. A large office building along Des Voeux Road, Central, between Pedder Street and Ice House Street, was put on the market towards the end of Chinese New Year. The owners asked for \$6,000,000, but the offer attracted no investors since the rentals collectable from the building's occupants could not cover a 10 percent interest rate per month. The price was, however, very reasonable as the land covering 18,000 sq. ft. is worth \$5,400,000 at \$300 per sq. ft. and the price of the building therefore would have been only \$600,000. About \$30,000

The progressive appreciation of land and house values has been previously described in reports published in this Review's issues of last August 20 and November 26. One was inclined to believe that land prices had reached at the beginning of this year a level which would not permit of further substantial upward movement, however, as from the middle of February there occurred a very sustained demand for land which brought prices up by another 20 to 30%.

Land speculators have been riding high on the waves of fortune and the land boom has still not reached the crest. The reason for the apparently inexhaustive demand for land is found in the economic decline of China: several thousand wealthy and influential Chinese families from the north have established themselves here where they have chosen to wait out the devastating economic and political typhoon which sweeps over China but they have made preparations also to remain here when things in their native country again are less stormy. For their own use they have acquired much land, have built or rehabilitated houses and have, with the formidable sums of flight capital brought down from their country, engaged in any imaginable form of speculation one of which has been and remains very prominently so the purchase of land.

If not for the largely Shanghai originating flight capital which has accumulated here in amounts which nobody wants to

estimate as for its actual height, the local land values would have never reached current or even 1947 levels. The excessive amounts (key money and the like) demanded and paid for the privilege to move into a house, an apartment, an office etc. have been inflated by the billionaire refugees and new immigrants from China.

Much resentment has been voiced by local residents who have felt the impact of the reckless spending of millions of Hongkong dollars which drove up living costs to some extent but which has particularly affected the price of land and housing.

The influx of people from China continues: the post-Chinese New Year land appreciation was directly due to the new demand coming from the latest batch of Shanghai refugees and to the shrewd anticipation of another boomlet by real estate speculators, many of them also being from Shanghai who have been wise enough to come down to Hongkong at a much "cheaper" time.

There is no doubt among business men that general conditions in China are going from bad to worse and that no amount of American "charity" or containment of the Soviets will alter the picture materially. More and more refugees will come to the Colony the only place where no visas are required and peace and order, in spite of unsuccessful sabotage efforts by certain Kuomintang reactionaries, are so well maintained.

rentals are collectable from occupants every month, which would represent only 5% interest per month. If the building was to be demolished (which requires Govt. permission) the offer should have attracted many buyers as rentals on new constructions are uncontrollable.

Construction of new buildings and residences has been very active since the beginning of the year. Many big construction projects have been reported during the past two months. However, construction costs are still high; they are generally between 500 and 600 percent above the prewar costs; some construction costs were as high as 1,000 percent and others as low as 200 percent over pre-war averages. For instance, labour in the building construction field is still almost 1,000 percent higher, teak flooring 700 percent and toilet sets 200 percent when compared with pre-war figures. On the whole the prices of building materials have fallen 10-15 percent since the beginning of 1947.

The report of the long awaited Housing Committee, appointed by His Excellency the Governor several months ago, to study the position and recommend measures for reducing construction costs, has now been completed and

will be submitted to Government in about two weeks' time for approval and eventual publication.

In the opinion of many leading building constructors and architects it would be advisable for Government to amend certain clauses of the prewar and still valid Building Ordinance to suit the present building material supply condition so as to reduce construction costs.

Another way of reducing building costs is to permit the erection of prefabricated houses. Should this be carried out on a large scale, e.g. over 100 houses at each time, such construction costs would be about 20 percent cheaper than for ordinary buildings.

Instead of the 25-year non-transferable land scheme announced by Government last August, the authorities might adopt new measures such as the levelling of hillsites in order to make way for building between 50 and 100 separate houses and selling small sites for one house each to different individuals for constructing residences. The land price might be payable in ten year installments. This scheme, if adopted, would attract more applicants for the building of own residences at comparatively low cost. This scheme has been in practice in England and other countries.

The general economic life of Hongkong has already been strongly affected by the influx of several hundred thousand new immigrants and by their importation of great wealth in every conceivable shape. That land prices and all costs connected with the occupation of houses, flats and offices have so greatly increased is only one of the more obvious effects of the repercussions of civil war, inflation and decline in China.

Similar developments were repeatedly observed in the days when the International zone of Shanghai was a haven of safety and security for the Chinese who fled from the interminable warlord depredations and official oppression to which they were exposed in the areas under Chinese authority. The successive land booms of Shanghai were also consequences of the mass flight of the Chinese people into British and French administered and protected Shanghai.

It was very simple for people with a good memory to foresee, in the earlier months of 1946, the decline of China, and then to take action and pull out of China with all collectable funds. It was certain that the wealthy Chinese, being prevented to go in large numbers to America, would eventually take up residence in Hongkong where they would buy, for own use or for speculation, land and houses.

Land prices in the Colony, by and large, increased six to seven times over prewar levels. Land values in residential districts of Kowloon are about 500% higher than in 1941. Repulse Bay area land is still higher, while suitable land for factory sites has advanced much more than the average. Speculative buying and quick re-selling for profit-taking has been much observed since the middle of 1947; such speculative sales brought profits of 50 to 100% although capital investment was of very short duration.

Real estate brokers have mushroomed in such an atmosphere and many merchants with spare capital or large overdraft facilities, although on short term, went in to the real estate market in order to cash in on the inviting position. Vacant and occupied houses have been sold and re-sold all over the Colony as purely speculative counters.

Mortgages on Houses and Land

Speculative buying has found the Colony's banking services of great value. Without the ample granting of mortgages (up to 60% of value advanced by commercial banks at 5 to 6% p.a., and up to 100% of value by or through native banks and private financiers at 12 to 18% p.a.) the hectic rate of land and house transactions would not have been possible. The majority of mortgages were granted for new transactions.

As Hongkong has been suffering from redundancy in money, land and house speculators found it easy to contract any amount of mortgages and even second mortgages were frequently resorted to. House mortgages are usually granted by

conservative banks at the full pre-war value of the property which means, in effect, a loan obtained for 20 to 30% of the present value. Real estate agents allow much larger amounts but charges are on the average 1.2% per month if loans are taken on a short term basis.

Sale of Land by Public Auction

The sale of Crown land by Public Auction is conducted by the Public Works Department in accordance with valuations made by the Superintendent of Crown Lands and Surveys. It has been regularly observed that bids at auctions considerably exceeded upset prices. Following are a few examples of recent Crown land auctions:—

(1) Land for Factory Buildings: 50,000 square feet in Matakok, Kowloon, upset price \$125,000 (\$2.50 per s.f.), sold at \$200,000 (\$4 per s.f.); conditions of sale: annual rental \$1,836, rateable improvements within two years to amount to at least \$900,000.—9,300 square feet in Kowloon, upset price \$37,000, sold at \$204,000 (\$22 per s.f.); annual rental \$426.

(2) Land for Residential Buildings: 2,900 square feet in Wanchai, Hongkong, upset price \$43,500, sold at \$221,000 (almost \$77 per s.f.); conditions of sale: annual rental \$166, rateable improvements within two years not less than \$73,000.—56,430 square feet, The Peak, upset price \$75,000, sold at \$116,000 (over \$2 per s.f.); annual rental \$1,296, rateable improvements within two years not less than \$180,000.—30,400 square feet, Aberdeen, upset price \$30,400, at \$50,800 (\$1.67 per s.f.); annual rental \$698, rateable improvements within 18 months \$100,000 minimum.

The system of public auctions has not found general approval as far as land sales for industrial use are concerned; prospective factory operators have been deterred to purchase land speculators have driven prices to high levels. Therefore many industrial interests prefer to buy land (with or without buildings) from private hands where bargains can be struck.

It should be the duty of Hongkong Government to sell Crown land to deserving industrialists at such prices which may be regarded as fair to both sides. Active promotion of Hongkong's further industrialisation requires the partial abandonment of public auctions. Such procedure may deprive Government of higher proceeds but it would be welcomed as a serious effort at encouraging the operation of new factories. As it is, many land auctions have brought good profits to land investors and speculators at the expense of a speedier progress of new industrial production in the Colony.

Land for Factories

A serious bottleneck in the expansion of further industrial activity in the Colony is the excessive cost of

land. Although building construction costs remain at a high level they show distinct signs for downward revisions and, with an easier supply position now felt everywhere, the erection of factories here has been encouraged. Land prices demanded in Hongkong have offset partly these favourable developments and delayed the commencement of working of a number of industrial enterprises. The responsibility for high land prices rests on the billionaire refugees from the North whose large funds brought into the Colony have upset price levels in many directions.

Suitable land for factories on the outskirts of the urban areas of Kowloon is no longer easily available and therefore the building of industries in the New Territories (both westwards up to Castle Peak Bay and to the southeast of Kaitak) must be considered. The best answer to the problem of the dearth of land in Kowloon remains large-scale reclamation. On both sides of the Kowloon peninsula such efforts are now being made in order to find the best possible accommodation for cotton spinning and other textile mills. Large reclamation projects will soon be materialised but meanwhile it appears necessary that potential industrial investors are finding every encouragement by Government who could sell directly certain Kowloon lots at a price which would be regarded as satisfactory both by Public Works Dept. and factory owners.

Private sales of factory sites in the deep water area along the Kowloon seaf front have recently been conducted at around \$10 per square foot but in the shallow water area a square foot quotes usually \$5 to 6. Negotiations about factory sites in Matakau Road area are moving around \$4 per s.f. Several Shanghai promoters are anxious to purchase already today land within the Kaitak Airfield for which they offer \$5 and more although they realise that land may be only available after two years or more, that is after the airport of Hongkong has been removed to another site in the Colony. Since it is now certain that Kaitak will become a modern industrial zone local and foreign industrialists and land investors have shown much interest in the eventual acquisition of sites at Kaitak.

The levelling of hillsides in the area southeast of Kaitak may prove of great importance for the future expansion of industrial production in the Colony. At present a hillside at Kun Tong is being shifted, involving the movement of some 400,000 cubic yards of earth and rock, in order to make room for the modern installations of Asiatic Petroleum Co. A large Land reclamation is also included in the current operations at Kun Tong where A.P.C. are constructing eight 4,000 ton tanks, many smaller fuel oil and gasoline tanks, jetties for berthing of the biggest tankers, and residences. After the completion of these works Government may build roads in this area and sell land to manufacturers.

Residences and Office Buildings

Building activity remains strong although demand for new flats, private residences and office space can only very slowly be satisfied. While the depredations of war and the large-scale looting of the mob caused enormous damage to the Colony, the influx of hundreds of thousands of Chinese from North and South China has created an unprecedented demand which, together with building material supply shortages in 1947, could not but adversely affect living and working conditions here. As the general position in China is further deteriorating and, consequently, there will be more wealthy and poor refugees assembling here the housing situation is bound to remain critical for some time to come.

Rehabilitation of looted or otherwise destroyed buildings has been rapid and new constructions of every type of building are progressing apace. No amount of fast building can, however, meet the increasing demand. General business expansion in post-war Hongkong has caused serious overcrowding in the available office spaces and has developed into a major problem of the commercial community. Hundreds of new companies have been formed after the war, Chinese and European enterprises have either established head or branch offices in the Colony, and, in spite of official warnings that there must be expected a recession in local business, the demand for more and bigger office spaces is insistent and, very frequently, rather desperate. New office buildings have relieved the plight of hundreds of merchants, sharing of offices has become a common practice, the conversion of verandahs into ordinary offices has been authorised by landlords, hotel rooms and dining halls were transformed into business premises but the pressure of demand by the increasing mercantile community did not abate.

Government has just completed the erection of 2 two-storey office blocks which are now housing the Public Works Department (excluding Waterworks Office) and the construction of 100 modern flats for use of civil servants is expected to commence shortly. Some of the leading commercial companies have completed or are about to complete large blocks of residences for their staff; some of the finest buildings in this category will be erected on the Peak.

On all corners of the Island there is busy construction going on with blocks of flats springing up while rehabilitation of old buildings all over the city has been very fast especially during the last 6 months. Chinese tenement houses are also currently erected in several parts of the Colony. Home building on a co-operative basis is, however, slow in developing.

Every visitor to the Colony is struck by the ubiquitous bamboo screens and fences around most buildings on the Island and mainland and, further, the continual face-liftings of shops and

RENTS AND HOUSING IN SHANGHAI

Landlords in Shanghai are prevented by legislation to obtain post-war adjusted rents from their tenants. Rental increases are limited to a fraction of the cost of living index. Land companies are practically left without any revenue and therefore cannot attend to repair or maintenance work. Salaries and wages have, however, to be increased month by month as inflation progresses. No new construction of office buildings and apartment houses can be visualised until normal conditions have returned and rentals again are paid; at present such payments can only be termed nominal. A consequence of this situation, caused by the Chinese Government desire to keep prices down at the expense of landlords, is that buildings steadily deteriorate.

Dealing with the questions of tenants and rentals received on properties, the Chairman of Shanghai Land Investment Co., Ltd., at the last annual meeting of the Company stated:

Tenants are in the main quick to take advantage of the minute rental they are required to pay in accordance with local legislation and in some cases a request to pay a more reasonable figure is met with a flat refusal to pay any rental whatsoever.

A most undesirable practice has arisen whereby portions of buildings are sub-let at extortionate rates in defiance of lease clauses directed against sub-letting without the company's permission. Every house, therefore, becomes a source of unauthorized revenue to its tenant whereby it attains an immense transferable value. Houses and

flats are, therefore, sold for key money, which in the majority of cases far exceeds the value of the building itself and landlords are powerless to prevent this abuse.

The unwillingness of tenants in many cases to pay any rent whatsoever has resulted in a large increase in bad debts. Why are legal proceedings not taken against bad tenants of this description?

The practice of indefinite appeal from an adverse judgment is widespread and years may elapse before final judgment is given or execution obtained. The payment of claims for outstanding rentals after that period amounts to a fraction only of the original value and, in addition, in cases of litigation the company is obliged to pay heavy court deposits which increase with each appeal.

One of the principal factors in the prosperity and well-being of Shanghai has been property values, and it is lamentable to see the dilapidation which year by year becomes more apparent in all parts of the city. Until landlords can be assured of a reasonable return on their investment and until the rentals they obtain bear a more reasonable relation to the cost of operation, such dilapidation and neglect must become even worse as time goes on. With the present exorbitant cost of building it is a matter for speculation as to where Shanghai is going to find its housing accommodation when the present properties begin to collapse as they must surely do under existing conditions.

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Restriction on Imports into Hongkong

Importers were informed this week that in view of the balance of payments difficulties it has been found necessary to restrict the granting of exchange of the following countries in payment of Imports. In future applications for exchange covering imports from these countries will only be approved in very special cases. The countries are:—Belgium, Germany, Italy, Portugal, Switzerland.

Although it is hoped that in future imports from other countries in Europe will be allowed on the same basis as at present merchants are advised not to fix firm orders with their suppliers in these countries until an A.E. or E.I. form is approved by the Exchange Control Office. This applies both to imports direct from the country of origin and those arranged through London.

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stores. Indeed, hundreds of stores in Hongkong have modernised their whole enterprise so that it is no exaggeration to state that there are no finer shops in the Far East than can be found in the business centre of the Colony. The same goes for restaurants and cinemas.

New building and rehabilitation on the Island has been extensive during last year and much reconstruction has also happened in the New Territories where practically all of the beautiful estates are once again proud witnesses for this Colony's prosperity.

The most important construction of office buildings will be the one at the corner of Ice House Street and Queen's Road which Hongkong Land Investment & Agency Co. are now actively pushing. This building and the construction of the Bank of China "skyscraper" should, when completed, relieve somewhat the office shortage here. But there are also other important projects which include the erection of a 9 storey Cable & Wireless headquarters (at the site of the present Electra House), a 12 storey Telephone exchange building (Nathan Road, with shops and flats) the groundwork of which is now being done.

COMMERCIAL MARKET REPORTS

HONGKONG'S ASSISTANCE TO CHINA

Addressing last week Legislative Council H.E. the Governor of Hongkong referred in the following words to the assistance which the Colony has rendered to China:—

Hongkong has been acutely conscious of the difficulties that China has had to encounter in the post-war era. In a spirit of unprecedented co-operation, Hongkong has sacrificed advantages, which it might have obtained from the conditions prevailing in China, to stretch out the hand of friendship, in these dark days, to assist her in meeting some of her more urgent problems.

Chief among these has been that of *smuggling*. In this connection, Hongkong has gone much further than could ordinarily be expected from a sovereign state in assisting its neighbour. The laws against unmanifested cargo have been enforced with rigour, with a view to preventing the smuggling of cargo to Chinese ports on vessels leaving the Colony. At the request of the Chinese Authorities, Hongkong has provided facilities to ensure that the manifests of all vessels leaving for Chinese ports shall be chopped in Hongkong. Hongkong has imposed restrictions on the export of certain commodities of Chinese origin, which are not supported by a Chinese Certificate of Origin.

Finally, the last year has seen the successful conclusion of negotiations which started almost half a century ago, and which had continued intermittently ever since, for a *Customs Agreement with China*. This Agreement gives vessels of the Chinese Maritime Customs the right to patrol British Waters which touch the coast of China, it directs the traffic from Hongkong to China by land, through defined channels on to Customs Stations on the Chinese side, and in so doing the whole of the land and sea border between China and Hongkong is effectively closed to potential smugglers. It was precisely in these areas that the bulk of the smuggling took place, and which were the most difficult from the Chinese point of view to control. The Customs Agreement also permits the Chinese to set up stations in Victoria and Kowloon where Customs duties may be paid by merchants, if they so wish, exporting commodities to China. Moreover, in order to ensure that goods are not loaded on junks with a view to smuggling them into China, the loading of vessels of less than 200 tons with cargo for China will be limited to two areas in the Harbour of Victoria and to Taipo, where Hongkong Revenue officials can keep an eye on them. In addition, junks will only be permitted to clear from Hongkong for points in China, where there is a Chinese Maritime Customs station.

This Agreement, together with the Financial Agreement, will, we believe, do still more to eliminate smuggling between Hongkong and China. *The Agreements confer no material benefits on Hongkong; in fact they involve us in some administrative expense, and make considerable calls upon the time of our officials. They are indicative of one thing only; and that is, an earnest and genuine desire on the part of Hongkong to add her quota of assistance towards building a prosperous China. We have shown that we wish to co-operate. But it should not be forgotten that co-operation is a matter of reciprocity, and mutual help and consideration by both sides.*

* * * *

Hongkong Export Markets

Tung oil business has become very quiet on account of low New York quotations where now only 24 US cents per pound are paid. Exports to Europe are effected at small profits only. Native dealers sold, ex godown, one picul at \$160 to 162 although prices were quoted as high as \$170 with no buyers. Local stocks are running low but replenishment is slow in coming. Canton dealers cannot do any business at the moment as the official exchange rate is far too low and even with surrender of half of the export bills' value no profitable shipments to Hongkong can be made. Tung oil stocks in Macao are large and await re-export opportunity. Dealers in Canton are very bitter about the continued low rate of foreign exchange as quoted by Central Bank of China.

Rapeseed oil business has also slowed down and does not promise a turn for the better. The Hongkong-China financial agreement proves very effective; since no re-exports from Hongkong are permitted without the Hongkong authorities being satisfied that the Chinese dealers have surrendered their HK\$ export bills to the Chinese Govt. all smuggling in this oil has come to an end. The native dealers in Kwangtung suffer. What little oil comes through to Hongkong is quoted too high; some French orders might have been obtained if prices could have been reduced to \$130 per picul but dealers insist that they could not go under \$140 on account of the arbitrary Chinese official "open market" rate.

Business in other Chinese vegetable oils is negligible: prices per picul, in HK\$: sesame 230/240, peanut 168/170, teaseed nominal. Malayan coconut oil was actively traded around \$142/146.

Some wolfram deals were negotiated at \$380 to 390. No antimony business is done here since several weeks, exports which appear in the Colony's

trade returns are usually shipments made by the Chinese Govt. Tin dealers quote nominal Yunnan tin at \$500 to 550, and Kwangsi tin some \$10 lower.

The season for collection of bristles in Yunnan has started but the price position is, on account of the inflation, anarchic. Raw bristles for 17's assortment quoted last week CN\$45 million per picul, top grade with length of 6 inches around 60 million. The official exchange rate which is always considerably lower than the actual rate makes exports almost impossible. Private trade in bristles—as in other main export commodities of China—is systematically killed; State monopolies are taking over.

Kunming goat skin dressing plants have all closed down, many have changed over to bristle dressing. Goat skin exports from Yunnan were an important business with 800,000 pieces (8,000 piculs), more or less, shipped out of the Province in 1947, mostly via Canton to Hongkong. Exports in 1947 of deer skins, used for Chamois leather, from Yunnan totalled some 50,000 pieces which also went mostly to Hongkong.

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HONGKONG—SOUTH CHINA TRADE

The Hongkong Chinese Chamber of Commerce received on March 20 the much awaited reply from the South China Regional Committee of Import Export Board to its five-point petition submitted before February 15, regarding a general revision of the existing unrealistic trade controls in China. The details of the five-point petition were published in our issue of Feb. 12 (page 134).

Regarding the first point (that the import quota for South China be increased from the present 9 percent to 30 percent of the All-China import quota), the Regional Committee replied that it had been twice increased since the third quarter allocation (between August and October 1947) and that the Committee is still making efforts to persuade the All-China Import Export Board further to increase the S. China allocation. The reply pointed out that the fourth quarter (from November 1947 to January 1948) was increased to US\$4,920,000 from the third quarter's US\$2,140,000, while the fifth and sixth quarters may be further increased.

Concerning the second and third points of the petition (2, That the temporary import regulations as existed before July 1, 1947, be reinstated, and 3, That 50 percent of inward remittances into South China be allowed to be used for importing essential materials), the Regional Committee

said that they could not be readily accepted as they were in contravention with the national trade policy fixed by the All-China Import Export Board. However, the reply stated, the Regional Committee would refer these two proposals to the All-China Import Export Board for study and consideration.

Touching on the petition's fourth point (That 30 percent of the foreign exchange derived from export bills be permitted to be used for importing industrial raw materials and other essentials), the Regional Committee said that the proposal has been and is still being studied and would be made known as soon as decisions are reached in this connection.

The Regional Committee flatly refused to consider the petition's fifth point (That South China's associated agents in Hongkong be included in the list of qualified importers and be given regular import quotas).

Meanwhile the newly appointed officials of the re-organised South China Regional Committee under the new Director, Mr. Ting Shih-chi (Central Bank), were officially sworn into office in Canton last week. At the same time, the Canton Office of the South China Regional Committee under the Committee's Deputy Director, Mr. Dien Ting-on (Joint Office of Four Govt. Banks) who is concurrently Chief of the Canton Office, was officially inaugurated.

The re-organised Committee at its inaugural meeting decided to put the former branch offices at Amoy, Swatow, Hoikow, Tsamkong, Koongmun, and Wuchow under direct jurisdiction of the Canton Office instead of being under the charge of the Committee for South China. It further decided to establish another office under direct control of the Committee at Kunming.

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Expansion of State Trading in China

It is the declared policy of the Chinese Govt. to buy export produce in the country at officially assessed prices and ship them abroad either against payment or on consignment. By means of this policy the Nanking Treasury will increase its direct foreign exchange receipts.

Chinese and foreign private traders are opposed to this system of State purchasing and the monopolising of exports but their protests have not led to any change of policy.

The following commodities are now subject to Govt. purchase which is effected by Central Trust of China:—tung oil, bristles, tea, soya beans, eggs and egg products, wool and silk. The purchase prices will be determined by an Assessment Committee composed of:—Export Import Board, Finance Ministry, Economic Affairs Ministry, Agriculture and Forestry Ministry, Joint Office of the Four Government Banks. The inauguration of this Assessment Committee took place on March 13, in Shanghai.

COTTON YARN POSITION IN HONGKONG

Cotton yarn supply for the Colony's estimated 750 textile mills showed some improvement since the beginning of this month, although the outlook for a steady supply is by no means bright. During the first three weeks of the month, Hongkong received 2,554 bales of cotton yarn from Shanghai, 600 bales from Italy and roughly 60,000 pounds (150 bales) from England. Another 500 bales and 400 bales are expected to be delivered from Shanghai and Italy respectively before the end of the month.

The Chinese yarn was made available after recent discussions in Shanghai between the Chinese Government operated China Cotton Textile Corporation and Mr. J. J. Cowperthwaite, Director of the Department of Supplies, Trade and Industry. These 3,000 bales, including the 500 to be delivered before the end of the month, were part of the outstanding 5,000 bales from last September's contract of 9,000 bales.

As the Chinese Government operated mills made no definite promise regarding the delivery of the remaining 2,000 bales and were also reluctant to sign further contracts with Hongkong for a regular monthly delivery of 2,000 to 3,000 bales, Mr. J. A. Galvin, who accompanied Mr. Cowperthwaite to Shanghai, flew to Japan from the Chinese port to conduct negotiations with SCAP and the Japan Trade Board for purchasing Japanese yarn against sterling payment. According to Mr. Galvin, it is understood that the Japanese Government still insists on payment in American currency in New York. As a result, it is most unlikely that the Colony will receive substantial yarn supply from Japan, since Hongkong's US\$ account in New York is not very substantial. There is not any shortage of yarn in Japan. In fact, large quantities of yarn are being piled up at several Japanese ports.

The 1,000 bales of Italian yarn (600 already arrived and 400 expected before March 31) comprised the second monthly shipment out of the 10,000 bales contracted in January by the local authorities with Italian manufacturers. The first shipment of 1,000 bales were

The first step was to decree a tung oil purchase price which amounted to CN\$6½ million per picul against a current market price of around 8 million. Central Trust of China was offered for sale by dealers 1,670 piculs during the first 3 days of operation of the new system of "Purchase of exportable commodities at officially fixed prices".

With the continual upward movement of rice, other foodstuffs and general cost of living in China, a consequence of currency inflation, the cost of exportable commodities must also rise in proportion with the increase in the issue of printing press money by Central Bank of China. The system of State trading and monopolising of China's produce

delivered in February. The payment for the Italian yarn is made in London on sterling account at \$1,360 per bale. Apart from the Government contracted yarn, a few local weaving factories had also placed small orders with Italy at \$1,380 per bale, payment is also to be made in London. For these purchases, local Government allocated necessary sterling exchange to these factories.

Besides a small quantity of about 10,000 pounds purchased by Government from British manufacturers for distribution to local textile factories, chiefly knitters, all British cotton yarn of above 30 counts was imported into the Colony by merchants for sale to manufacturers here. An estimated 500,000 pounds (or 1,250 bales) were imported from the United Kingdom during the last months at a lower price compared with Chinese, Japanese or Italian yarn. British yarn is, however, not much in demand since knitters and weavers have to go through an additional process (as it is on cops of less than one pound each) before the yarn can be put on looms for weaving of cloth.

The prices of British yarn are quoted by local importers as follows (all c.i.f. Hongkong with delivery made three months after order):—

\$3.45 per lb. for 20 counts, \$3.55 for 24s, \$3.75 for 30s, \$3.85 for 32s, \$4.50 for 40s, \$5.50 for 60s, \$5.95 for 64s and \$6.80 for 80s. Most imported British yarn are between 30s and 60s. According to advices received by local importers, the prices of British yarn have increased by \$1.70 per pound after the middle of March, as the British Government has reduced the export allowance to yarn exporters by half.

The price of cotton yarn (20s) fluctuated here in March. Merchants quoted as high as \$1,600 per bale against the controlled price of \$1,400 before March 15 (prior to the arrival of the Chinese yarn from Shanghai). The price came down eventually and yarn quoted last week between \$1,500 and \$1,550 per bale.

exports aims at procuring tung oil, bristles, beans and other leading export commodities at prices lower than the general price level, and also intends to secure for the National Treasury all available foreign exchange proceeds.

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COTTON EXPORTS FROM SIAM

By a notification, dated 3rd February 1948, the Ministry of Commerce of Siam has authorized the export of raw cotton to foreign markets. Such export may be made by applying to the Division for the Control of Goods, Department of Foreign Trade, Ministry of Commerce. The ban on export of raw cotton from Siam has been imposed during the war and has not been lifted until now.

TRADE CONTROL AGREEMENT BETWEEN CHINA AND MACAO

The Government of the Portuguese Colony of Macao has entered into a trade control agreement with the National Government of China which provides for the following forms of assistance by the Macao Government:—

The Export—Import Board of China announces:

(1) Exports from China to Macao

Arrangements have been entered into between the Chinese and Macao authorities whereby, with effect from 13th March, 1948, the re-export, trans-shipment or transit through Macao of (1) antimony, (2) bristles, (3) cotton yarn, (4) tea, (5) tin, (6) wolfram and (7) the following "vegetable oils," namely: wool oil, rape-seed oil, cassia oil, aniseed oil, cotton-seed oil, hemp-seed oil, linseed oil, perilla seed oil and tea oil, will only be permitted by the Macao authorities on production of evidence on a copy of Form C.B.C. 8a (revised) that the foreign exchange relative to the export from China has been sold, or contracted to be sold, to a branch in China of an Appointed Bank.

Merchants exporting such merchandise from China to, or through Macao should hereafter submit their Form C.B.C. 8a (revised) in quintuplicate. After obtaining the signature of a branch in China of an Appointed Bank, the form should be presented to the Customs in the usual manner. One copy of the form duly "chopped" by the Customs will be returned to the applicant and must be preserved by him for presentation to the appropriate Macao authority when onward movement of cargo from Macao is desired. This "chopped" copy of the form must accompany the movement of the relative goods to Macao where it must first be presented for verification to the Commissioner of Customs for Lappa and District.

(2) Exports from Macao to China

In accordance with arrangements concluded between the Chinese and Macao authorities, no shipment to China of goods exceeding Patacas 200 or equivalent in value will be permitted by the Macao authorities without prior production of the original copy of the relative import license issued by the Export-Import Board.

After completion of the necessary formalities by the Macao authorities, the import license will be returned to the exporter from Macao.

The Macao Govt. has required all dealers to register their stock of controlled China exports and the registration has ended on March 17. Stocks of wolfram ore, antimony, bristles, tung oil, rape-seed oil were considerable as smugglers have been actively collecting such China produce which came under export control by Hongkong Government as from beginning of this year. Registered stocks are exempt from control in Macao.

The Macao Govt. has not granted to the Chinese Maritime Customs the privilege of inspection of commercial cargo within the land and sea borders of the Colony.

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Nutritional Properties of Milk and Milk Products.

USEFUL NOURISHMENT FOR TROPICAL FAR EASTERN PEOPLES

Some very interesting experiments which might prove to be of far reaching importance to the diet of the population in the tropical and sub-tropical zones especially in the Far East, were conducted in the Philippines by Standard Products, Inc. These experiments consisted of reconstituting milk, using skim milk powder as a base and refined vegetable oil as a source of fat. The equipment used is the so-called "Automatic Cow" which is a small almost portable unit comprising mix and pasteurizing tank, high speed homogenizer and a refrigerated cooling tank.

The idea of reconstituting milk is not new of course and it is being done extensively all over the world on a commercial scale. The process represents the action of the cream separator in reverse, in other words instead of breaking fresh cow's milk into its natural component parts the "Automatic Cow" reconstitutes whole milk from the component ingredients of milk, usually whole milk powder and water, or skim milk powder, butter and water. This obviously eliminates transportation of water which constitutes about 87% of milk and refrigeration inasmuch as milk powder whether skim or whole does not require refrigeration.

However, the importance of those experiments primarily lies in the fact that Standard Products, Inc. used refined vegetable oil in place of butterfat and thus could use skim milk powder as a base eliminating the use of whole milk powder (which includes butterfat) which is still in very short supply throughout the world.

The nutritive value of the skim milk powder is not generally appreciated. According to the World Almanac a pound of skim milk powder is equivalent to 1,631 calories, containing 161.6 grams of protein, 4.5 grams of fat, 236.1 grams of carbohydrate, 5,902 milligrams of

calcium, 4,676 milligrams of Phosphorus and 2.6 milligrams of Iron. It is deficient though in Vitamin "A" and in reconstituting milk vitamins are added in the form of concentrated cod liver oil.

It seems that great difficulties were at first encountered in finding a suitable vegetable oil which would disburse readily in the mixture and not separate and form a film on the surface. Deodorized and fully refined coconut oil proved to be an excellent source of fat and good distribution was assured by adding minute quantities of a vegetable disbursing agent to the coconut oil.

It is reported that the results of the experiments were very encouraging and that the Philippine Government has shown interest in a scheme whereby such milk products would be made available to children in schools through installation of "Automatic Cows" in different localities.

It is observed that although coconut oil is not quite as digestible as butterfat the deficiency could be greatly minimized by using a well-refined and deodorized oil in which free fatty acid content is reduced to less than .018%.

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RUBBER TYRE TRADE WITH SOUTH CHINA

Approximately 200 workshops in Hongkong and Canton assorting second hand motor car rubber tyres with a total labour force of about 3,000 are now being threatened with termination of their business through the registration procedure adopted by the South China Regional Committee of Import Export Board. Under the revised registration system enforced last month, only six workshops qualified for importing second hand rubber tyres and by-products, and received fourth quarter import allocations for November 1947 through January 1948. Of these six qualified importers, none was on the list of the third quarter importers; they were obviously newly established firms which had close connections with the South China Regional Committee.

These qualified "importers" (in fact they were never in this line before) re-sold their import quotas to real importers at HK\$30 to 35 per picul. The price of second hand rubber tyres are sold here at \$30 per picul and if importers have to pay another \$35 for the "import quota license" in addition to \$11 for transportation charges per picul from here to Canton, the net cost of each picul of old rubber tyres imported from the Colony into Canton would be \$76, or 10 percent above the market quotation in the Kwangtung provincial capital.

Most of the workshops in Hongkong are located in Reclamation Street in Kowloon. They number about 80, employing some 1,600 workers. Apart

NETHERLANDS INDIES ECONOMIC REPORTS

Exports in January

In January 1948 total exports amounted to 336,000 tons, consisting of the following items: 281,000 tons petroleum products, 13,000 rubber, 1,610 tin ore, 7,476 coprah, 750 palm oil, 26 tobacco, 58 cinchona bark, 208 pepper, 311 capoc, 112 hard rope fibre, 109 coffee, 4,538 sugar, 241 tea, 88 damar, 357 copal, 1,068 rattan, 112 hides, 70 mace, 27 cinnamon-cassia, 316 nutmegs, 26 penang, 1932 coprah-cakes, 538 manganese ore, 17,000 tons bauxite.

Principal destinations were: The Netherlands (20,000 tons), United Kingdom (4,000 tons), U.S.A. (23,000 tons), Malaya (22,000 tons), Singapore (120,000 tons) and Australia (8,000 tons).

Banka Pepper

Demand for pepper is very strong at the moment. Banka is able to supply fair quantities and good quality. Pepper growing having deteriorated greatly the last 10 years, everything possible is done to improve quality. Rice is made available for owners of pepper

from bringing second hand motor car tyres into Canton, these workshops usually cut the tyres into rubber shoes soles or recondition them into a usable tyre prior to shipping them to South China.

At the peak output period between liberation and mid-1946 when there was a great demand for second hand rubber tyres or their by-products, every one of the 80 workshops in the Colony did flourishing business and the price of second hand tyres was as high as \$200 per picul. The price gradually dropped to \$100 per picul when American Army surplus tyres poured into the Colony. The steady price of between \$80 and \$100 per picul was kept on for a long time until last July, when the South China Import Export Board (former name of the South China Regional Committee of Import Export Board), was formally inaugurated in Canton and prohibited importation of second hand tyres and their by-products.

Before the formation of the South China Import Export Board, an average of 30,000 piculs of second hand motor car tyres were imported into the South China area, including Kwangchowwan, every month. The fourth import quota for second hand tyres was fixed at 3,000 piculs for the three-month period November 1947 to January 1948. This means that each of the six "qualified importers" will be able to import 500 piculs to South China during the period.

There are about 60,000 piculs of second hand motor tyres stockpiled in the Colony.

plantations to induce labour for cleaning up their gardens. The number of pepper vines is still on the increase, numbering over 241,000 on December 31, 1947. From April to December 1947 a total of 468 tons of pepper was purchased with an approximate value of about US\$190,000. Smuggling was rife, the purchase price for smuggled pepper being about 5 times the official purchase ceiling. During October 1947 and November 1947 respectively 27 and 45 tons of smuggled pepper could be seized.

Petroleum Output

The production of petroleum of the Royal Dutch-Shell group has reached half of the pre-war level, despite the fact that a large number of oil fields are in the area held by the Republicans.

In 1940 the total production of the companies belonging to the Royal Dutch-Shell group in the Indies amounted to nearly 7 million metric tons of crude oil (nearly 6 million tons in the Netherlands Indies and 1 million tons in British North Borneo), which was treated in the refineries at Pladju (South Sumatra), Balikpapan (Borneo), Pangkalan Brandan (North Sumatra) Tjepu Wonokromo (Java) and Lutong (British North Borneo).

The present monthly production, in metric tons, is: Surabaya, 5,000; Tarakan, 23,000; Balikpapan, 32,000; Pladjoe, 88,000, and British North Borneo, 213,000. The assimilation capacity at Surabaya is 7,000 tons; at Balikpapan it equals approximately the monthly production. At Pladju it is 210,000 tons, considerably more therefore than the amount produced, and in British North Borneo it amounts to about a half of the petroleum production figure, namely, 126,000 tons. No oil is refined or "distilled" or cracked in Tarakan, because the oil that is gained there is ready for use as fuel oil as soon as it has been freed of water.

A number of boring areas in Middle Sumatra are not yet under Netherlands jurisdiction. In North Sumatra, Pangkalan Brandan has not yet been reached either. The boring areas of North Sumatra are still occupied by the Republicans.

With the exception of a small boring area near Surabaya, the Royal Dutch has only available in Java the distillation unit at Wonokromo.

The work of restoration has been pushed the furthest forward in Borneo, which is no cause for surprise, because there peace reigns. The refinery at Lutong (Serawak) has been restored and is working.

Rubber Expections for 1948

Though considerable quantities of rubber are still smuggled out of Indonesia and are sold mainly on the Singapore market, which quantities are not officially booked as exports, the expectations for this year are still fairly favourable

The total quantity of rubber to be exported by Indonesia in 1948 is estimated by experts at approximately 350,000 tons, 100,000 tons of which are estate rubber and 250,000 tons native rubber.

Sumatra's East Coast

In December 1947, 31 rubber estates, one oil estate, 2 coconut and 3 tobacco estates could be placed at the disposal of the owners, so that the total number of released estates rose to 187 in the end of 1947. In the case of 21 of these 37 estates administration could be resumed. Thus a total of 147 estates had been brought back under administration by the end of December 1947. Of these 147 estates, 45 rubber, 7 oil and 5 coconut estates were in working order again (57 estates in total). As regards tobacco a total of 1600 fields will be planted, on 15 estates. On other plantations preparations are being made on a large scale for the supply of materials required for the building of sheds for next planting year.

THE ECONOMIC SITUATION IN EAST JAVA

After the evacuation of the Republican troops safety is prevailing in practically all reoccupied regions of East-Java, so that business activity is reviving considerably. Labour is being offered; equipments, carried away some time ago, have been brought back voluntarily by the population. Life in the villages reflowerishes and the Government civil services are extending their function.

Sugar industry: Of the 35 sugar-mills in the occupied territory 30 were returned to the former owners, 4 are under the supervision of the Department of Economic Affairs and 1 mill still cannot be visited. In some places preparatory operations for the planting of sugar-cane for the 1949 season have commenced. Up to the end of February 54,000 tons of sugar have been forwarded to the sea ports.

Mountain agricultural estates: Of the 115 mountain agricultural estates in the reoccupied territory of East-Java, 68 are under permanent supervision, 34 are sporadically inspected by experts and 13 are not yet inspected. The total quantity of crops forwarded to the sea ports, principally to Sourabaya, amounted to approx. 11,000 tons, including 7,000 tons of coffee, 4,000 tons of rubber and small lots of tea, cinchona bark, cocoa and kapok.

Tobacco estates: Following the improved conditions in Djember and Bondowoso contact with the tobacco estates could be re-established. So far 25,000 bales of tobacco have been shipped to the Netherlands in consignment.

Food Situation: There is no concern about the food situation. A food shortage is only in the Panarekan-regency due to the failure of the corn-crop. However, distribution of food among the population is organised by the Government services, while the rice-crop is coming in.

PHILIPPINE ECONOMIC REPORT

CENTRAL BANK SYSTEM AND US\$-PESO RELATIONSHIP

The Philippines will have a Central Banking system in the not too distant future. A Central Bank Bill is being drafted for presentation to the Legislature.

The monetary system of the Philippines may be described as a Dollar-exchange standard. The par value of the Peso is fixed by law at two Pesos to one U.S. Dollar. Under the terms of an executive agreement entered into between the United States and the Philippines, the Philippine Government has agreed that—

"The value of Philippine currency in relation to the U.S. Dollar shall not be changed, the convertibility of Pesos into Dollars shall not be suspended, and no restrictions shall be imposed on the transfer of funds from the Philippines to the United States except by agreement with the President of the United States."

The report and recommendations of the Joint Philippine-American Finance Commission rendered in June of last year, recommends that the Philippine Government adopt a managed monetary system in which monetary authority and responsibility would rest in a Central Bank. Such a system would entail the abandonment of the automatic 100% reserve system.

The recommendations in the report of the Joint Philippine-American Finance Commission contemplate no change in the present par value of the Peso.

Wages and prices: In spite of the shortage of labour, the daily wages in the agricultural estates are varying between ₱0.60 and ₱2.50. There is no further rise of commodity-prices; on the contrary, in some places prices are declining.

Native agriculture: The west-monsoon paddy-planting is below average; the yield of dry field rice, however, is favourable. Corn-planting is favourable, tapioca-planting normal. The other crops are generally good. Anti-rat measures are being applied energetically.

Industrial improvement: Industrial activity is growing gradually.

Sea-ports: Rice, coffee and rubber from the interior regularly arrive at the port of Banjoewangi, where they are loaded into steamers for further transportation. In the port of Probolinggo conditions have improved after many workers have returned.

Traffic: Serious damage caused by sabotage to the highways and railways during January are being repaired.

The introduction of a Central Bank represents a fundamental change in the monetary system; it means a shift from an almost completely automatic gold-exchange standard system, one of the most conservative monetary systems in the world, to a modern managed-currency system. For example, the money supply might be expanded to meet a purely internal growth of business and trade which did not in itself produce or require additional dollar exchange. By creating the Central Bank, the Philippine Government will create an institution with power to influence profoundly the course of the country's economic development.

* * * *

GOVERNMENT PROPOSALS FOR MORE FINANCIAL & TRADE CONTROLS

In his address to the Congress, President Roxas outlined a number of recommendations which, however, have not found general approval in Manila where the hope is expressed that some of the proposed Acts will be modified before adoption. The main objections of the business world are centred on the following six recommendations of the President:

(1) establishing the Central Bank, defining its powers in the administration of the monetary system.

(2) giving the President authority to control imports and to increase or decrease from time to time the sales tax on luxuries, semi luxuries, and non-essential commodities up to 100% of the present rates, but in no case less than the rates now imposed.

(3) requiring insurance companies to invest at least 50% of their reserves in loans the proceeds of which will be used in the Philippines.

(4) amending the Administrative Code to grant more autonomy and to enlarge the power of taxation of provinces and municipalities.

(5) authorizing the President under certain conditions to guarantee loans granted by certain international or foreign credit institutions to government or private banks, companies, or private individuals.

(6) establishing a social security system for the benefit of wage-earners and low-salaried employees.

Objections

(1) An act establishing a Central Bank should provide for the proper safeguards to insure a faithful fulfilling, on the part of the institution, of the public trust involved in its management of the currency system. The institution should be free of a dominant influence from any of the elements of society,—political and commercial.

(2) The dangers of arbitrary import control and of an indiscriminate raising of the rates on taxation on so-called luxuries which are in fact necessities are obvious to traders all over the world.

(3) Demands on the insurance companies to invest too large a proportion of their reserves locally could easily result in a lack of security to the policyholders, with many other untoward effects.

(4) A grant of enlarged powers of taxation to provinces and municipalities is fraught with the danger of an inept and overlapping levying which would play havoc.

(5) The proposal that the Government be permitted to guarantee loans to private banks, companies, and individuals is a violation of the generally accepted tenet that the credit of the state or any civil division thereof shall not in any manner be given or loaned to or in aid of any individual, association, or corporation.

It is true that such guarantees are sometimes requested by the Export-Import Bank (Washington), but the general practice could lead to grave abuse.

(6) The proposal to establish a social security system is laudable from a social point of view, but a law embodying it might easily impose a presently unbearable burden on economic enterprise.

The possible violation of basic economic and governmental principles is an obvious danger in all the proposals listed. The risks involved to the country's development and prosperity are very great.

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PHILIPPINE PRODUCE EXPORTS

COPRA exports for 1947 are estimated to have reached an all-time high of 925,000 long tons of which 61% were shipped to U.S. and 39% to Europe and other destinations. DESICCATED COCOANUT production last year totalled about 32,400 metric tons (in 1940 about 41,700 tons). SUGAR during last year was manufactured over 90,000 short tons of which 20/30,000 tons were exported, 15,000 tons domestically consumed, the rest to be kept for further local consumption. HEMP production in 1947 estimated at 787,000 bales (last December 55,246 bales).

* * * *

MINING INDUSTRY IN 1947

Big Wedge, now merged with Atok, produced last year 3.3 million pesos worth of gold from 91,599 tons of ore milled. This output represents one-third of the Company's pre-war production.

Lepanto Copper is constructing its new mill.

Benguet Consolidated are trying to get the first 1200-ton unit of its combined Benguet-Balatoc mill into operation. Reconstruction work has so far cost around 3 m. pesos. The ultimate objective is a 4000-ton mill.

Mindanao Mother Lode operated for five months during 1947, and produced 448,000 pesos from 11,400 tons of ore (about one-fourth of pre-war production).

Surigao Consolidated, Tambis Gold Dredging, and the Harrison-Lang placer, have become active.

A new producer entered the field last year, the Taysan Mining Company, former Antipolo Mine, which is reported to have high-grade gold ore in the lower levels.

Consolidated Mines had sales of 189,499 tons of refractory chrome, valued at 3.3 million pesos (1946 production around 58,000 tons). A small amount of metallurgical chrome and high grade manganese were shipped from other properties.

The Acoje Mining Company is preparing for production. A smaller chrome property in Mindanao is undergoing development. A high grade manganese property in Leyte is ready to begin shipping.

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FOREIGN TRADE IN 1947.

The total foreign commerce of the Philippines last year broke all previous records in peso value and surpassed all previous predictions. The 1947 overseas trade reached the unprecedented total of 1,553,797,312, or more than double the total value of the trade in 1946 which amounted to Pesos 720,091,530.

Although imports were heavy and established an all-time high, the greatest rate of increase was in exports. The total export trade during 1947 was valued at 531,096,704, an increase of about 314 percent compared with the total value of exports during 1946.

Imports passed the billion-peso mark as anticipated, the total purchases of the Philippines during the 12-month period being valued at 1,022,700,608, representing an increase of nearly 80 percent compared with the total importation during 1946.

As in prewar years, the Philippines' foreign trade during the past year was preponderantly with the United States. Trade with the U.S. represented about 76 percent of the total overseas commerce of the Islands, being valued at 1,184,379,453. The Philippines purchased from the United States 879,999,624 worth of goods in 1947 and sold to that country 304,379,829 worth of the country's products which consisted largely of raw materials and only fractionally of finished products.

The restoration of the country's foreign trade was reflected not merely in the high value of imports and exports. The Philippines in 1947 traded in 81 countries and dependencies including Soviet Russia (trade was insignificant,

consisting largely of imports). The Philippines purchased goods from 68 countries and sold her products to 68 other nations.

Although trade during the entire year 1947 was adverse to the Philippines due to heavy purchases from the United States, the Philippines had favourable trade with many other nations in Europe and the Far East, owing to those countries' need for Philippine products.

Trade in December

December trade, valued 227,516,910, was spectacular in more than one respect. It was the highest monthly figure for any month during the post-war era or for any month in the history of the country's foreign trade. The next highest figure was recorded in April of last year when the total trade was valued at 204,828,903. This was due largely to heavy importation.

In the final month of 1947, however, exports shot upward to 130,169,940, as against only 49,263,423 during November. The sharp gain in December exports was brought about by appreciable increases in shipments of domestic products including copra, coconut oil, desiccated coconut and other by-products, hemp, tobacco and manufactures and embroideries, and the addition of sugar especially.

Domestic exports during the month in question were valued at 109,278,104, while re-exports, which were understood consisting largely of surplus materials disposed of during the latter part of 1947, accounted for 20,891,736 of the total, which was bigger than the combined value of re-exports for the first half of 1947.

Indicative of the current tendency of the trade to narrow the gap between exports and imports was the higher value of exports in the second half of 1947 during the second half in comparison with the first six months' figure. Philippine exports during the last six months of 1947 were valued at Pesos 280,416,904 as against 250,679,800 in the first six months. Imports, on the other hand, dropped to 462,029,942 in the final six months as against Pesos 560,670,666 in the first half.

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BANKING FIGURES & PESO CIRCULATION

—(in millions of Pesos)—
—(monthly averages)—

<i>Loans, Discounts, and Advances:</i>	
December, 1947	346
December, 1946	189
<i>Total Bank Resources:</i>	
December, 1947	833
December, 1946	842
<i>Bank Deposits:</i>	
December, 1947	405
December, 1946	361
<i>Debts to Individual Accounts:</i>	
December, 1947	120
December, 1946	94
<i>Peso Circulation:</i>	
December 31, 1947	769
December 31, 1946	685

ANTI-DUMPING LEGISLATION

Condensed Text of Anti-dumping Act.

Philippine traders and manufacturers have been recently requesting their authorities to investigate into the trading practices of several countries notably China. In the course of such investigations some export articles of Hongkong were also made the target of accusations concerning dumping.

The local rubber canvas shoes industry has been finding a good market in the Philippines but the clamour by manufacturers there has resulted in the invocation of the anti-dumping legislation. An official inquiry into the marketing of Hongkong made rubber shoes is still on.

Following is the condensed text of the Philippine anti-dumping legislation which is contained in Act 4035. The purpose of this Act is to prevent dumping of imported merchandise and to discourage unfair practices and methods in the import trade, by imposing on offenders special Customs duties.

Whenever the Insular collector of the Philippine Customs has reason to believe that

(1) any importer is importing merchandise either dutiable or duty free, which importations would have the effect to destroy or injure an industry efficiently and economically operated in the Philippines or to prevent the development of an industry that is being so established, or to restrain or monopolize trade or commerce in the Philippines, or

(2) when he has reasons to believe that an importer is indulging in unfair methods of competition which may result in the destruction of industries or in restraint of trade; or

(3) when he has reasons to believe, from the invoice or other information presented to him, that the purchase price or the exporter's selling price of any imported merchandise is less than its foreign value or, in the absence of such value, the cost of production in the country of origin;

It shall be his duty to make report thereof to the Secretary of Finance who shall order an investigation of the matter by a Board composed of the Insular Collector of Customs, the Collector of Internal Revenue, and the Director of Commerce.

The investigation shall include a hearing. The Board shall make report of the findings within thirty days to the Secretary of Finance who shall decide whether the merchandise in question is being imported in violation of this Act. Pending the decision of the Secretary of Finance, the delivery of the merchandise involved shall be withheld unless released under bond.

If the Secretary of Finance finds that the importation would have the effect to destroy or substantially injure an industry efficiently and economically operated in the Philippines; or to prevent the development of an industry that is being so established; or to restrain or monopolize trade or commerce in the Philippines; or that the importer indulged in unfair methods of competition which would have the effect of destroying industry or restraining trade; or that the exporter's selling price is less than the foreign market value, it shall be his duty to refuse delivery of the merchandise, and cause the importer, to reship the merchandise to the port of origin or to any other foreign port at his expense; or he may permit the importation of the merchandise in question upon payment of special customs duties in addition to the regular duties.

The special customs duties shall be equal to the difference between the purchase price or the exporter's selling price and the foreign market value of the merchandise when sold for home consumption, or, in the absence of such value, the cost of production thereof in the country of origin. If the foreign market value or cost of production of the merchandise cannot be ascertained satisfactorily, the special customs duties shall be the difference between the purchase price or the exporter's selling price and the Philippine value which shall be the price at which such or similar imported merchandise is freely offered for sale, packed ready for delivery in the principal markets of the Philippines to all purchasers, at the time of exportation of the imported merchandise in the usual wholesale quantities and in the ordinary course of trade, with allowances made for regular duties, cost of transportation and insurance and profit.

Provided, that the importer shall be permitted to obtain the release under bond of the merchandise in question pending appeal and final decision of the case, for double the appraised value of the merchandise; and provided, however, that if the Secretary of Finance is of the opinion that the release of such merchandise under bond would result in injury to industries or in restraint of trade, he may refuse to release under bond.

INDEX OF COST OF LIVING IN MANILA

(Average Wage Earner's Family)
1941=100.

	All Items	Food	House Rent	Clothing	Fuel, Light and Water	Miscellaneous
March 1945	559.8	635.5	236.4	1,695.2	237.1	674.4
December	669.4	852.7	236.4	1,030.3	401.9	463.0
January 1946	603.4	759.2	236.4	984.0	363.8	434.8
December	461.9	570.8	236.4	371.9	344.7	302.1
January 1947	394.1	468.2	236.4	381.9	326.2	282.5
December	343.9	395.8	236.4	219.1	298.2	262.9

REAL ESTATE SALES IN MANILA

(in millions of Pesos)

	1940	1941	1945	1946	1947
January	6.0	.9	7.9	4.3	6.0
February .....	.9	.7	1.3	2.2	7.2
March	1.4	1.5	(?)	2.6	7.1
April .....	.8	.9	.2	1.9	8.6
May .....	.4	1.1	.9	3.6	4.6
June .....	.5	.5	1.2	3.6	3.9
July	1.3	.5	1.1	4.9	4.0
August	1.9	1.2	.6	4.4	5.6
September	1.1	.8	1.8	4.6	7.4
October .....	.9	1.1	2.0	5.5	6.0
November .....	.9	.8	2.5	3.3	4.1
December	1.5	(?)	2.8	4.0	3.2
Total	17.9	10.6	22.8	45.5	68.2

Note:—A large percentage of 1945 sales and a diminishing percentage of 1946 sales, represent Japanese Occupation transactions not recorded until after liberation.

SIAM'S TRADE IN 1947

Imports into the port of Bangkok during the year 1947 exceeded exports by about US\$ 21.1 million. Rice exports only accounted for \$19.23 million of the total \$43.3 millions exported during the year, or slightly less than 45 percent of the total. During 1946, rice exports accounted for a little more than 60 percent of the total export of \$21.37 million worth of goods.

Although the totals for the entire year showed a balance well in favour of imports, during the last month, December, exports actually surpassed imports, the respective totals being \$6.3 and \$4.4 million.

Total imports for 1947 amounted to \$64,405,357, broken down in the following manner:

	(millions of U.S. dollars)
General merchandise ..	46,242,599
Gold bullion	13,356,215
Gold leaf	280,875
Beer, wines & spirits ..	471,406
Opium	463,200
Government imports ..	3,591,062

If gold imports are deducted from the difference between imports and exports, an unfavourable balance of less than \$7.5 million remains.

Total exports for 1947 amounted to \$43,299,669, of which \$19,230,218 represented 6,535,003 piculs of rice. Other exports were as follows:

	(millions of U.S. dollars)
Teak	2,701,000
Other woods	1,595,198
Rubber (13,228,554 kilos)	2,360,259
Tin (3,036 piculs) ..	27,702
Re-exports	1,123,227

The balance of \$16,262,057 in exports was listed by the Siamese Customs as "other goods" and included such items as shellac, leather and hides, pepper, lard, eggs and other secondary products.

Although Siam's imports were greater than her exports, the fact that exports in 1947 were double those of 1946 was the most significant thing and indicates a bright future for Siam's trade.

With prospective rice exports for 1948 appreciably increasing, better prospects for rebuilding the tin, teak and rubber trades, and the steady development of other exports, trade prospects can very well be regarded with

optimism. The year 1948 should be a bright one for Siam's trade.

DIFFICULTIES OF TIN MINING

The increasing shortage of firewood in Siam looms as the biggest obstacle to the rehabilitation of the country's tin mines. The situation has become so acute that one mining company has refused to start operations while other interests requested the government to assure a supply of coal for mining operations. Scarcity of firewood has resulted in the refusal of proprietors of the Tongkah Harbour Tin Dredging Company to take over its property at Nakorn Sritharmaraj without assurance from the government of an adequate supply of fuel. Like other countries,

this concern converted its dredges years ago from coal to wood burners because then wood was both plentiful and cheap.

The London Tin Corporation, which has interests in mining concerns in Siam, has written to the Mines Department of the government about the possible coal supply in Siam and has offered, it is reported, the sum of 3,000 pounds sterling for prospecting purposes. The firm is not interested in coal mining operations but wishes to uncover a source of fuel for mining dredges. During the war, coal was mined at Trang but the quality was declared unsuitable.